

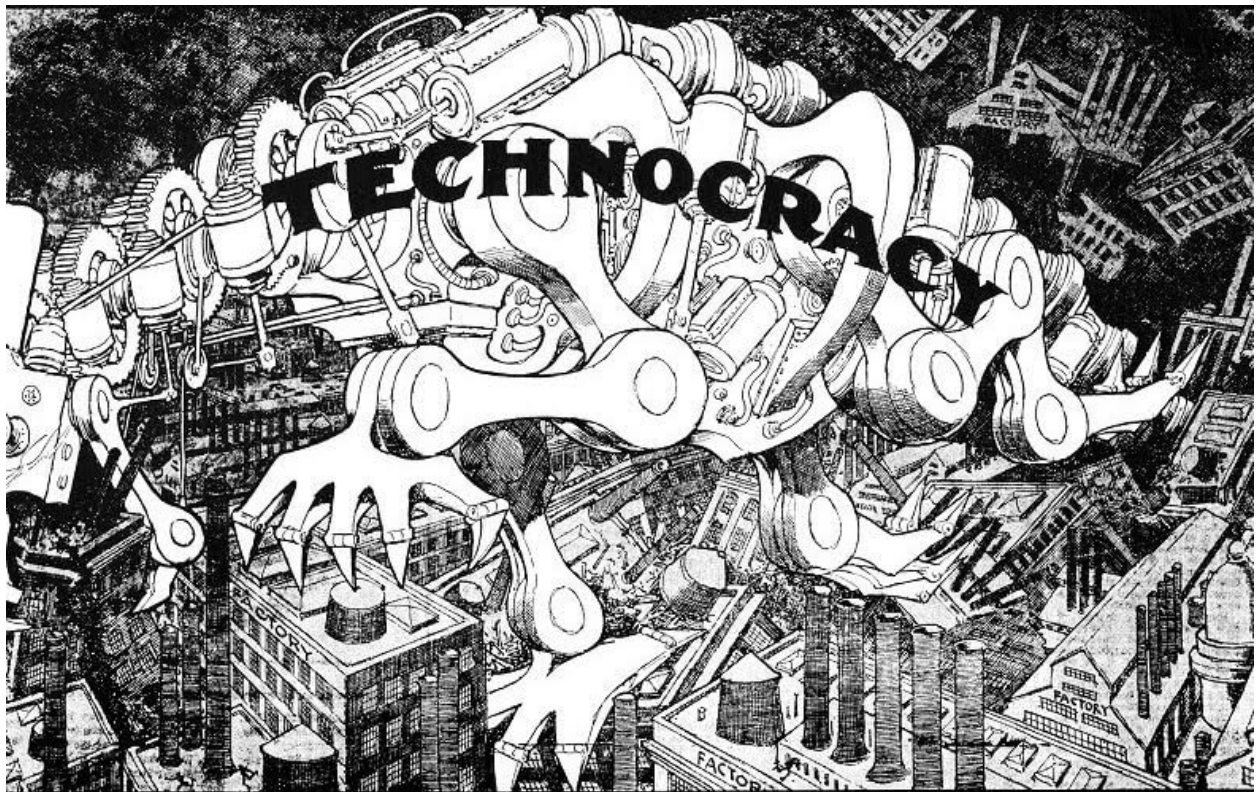


Are Consultants a solution for Governance ?

17 February 2023, Chennai

For Internal Circulation





“Technocracy” by Windsor McCay



Radicals and reformers alike may need to embrace the uncertainty of the present, to make a virtue of improvisation, to seek out the exasperatingly disordered, nonlinear, incoherent, and unexpected sequences by which the status quo is always and ever undermined. In the “creative disorder of the human adventure,” Hirschman wrote in A Bias for Hope (1971), “radical reformers are unlikely to generate the extraordinary social energy they need to achieve change unless they are exhilaratingly conscious of writing an entirely new page of human history.” One of the basic affects of our bewildering present is systematic and pervasive doubt. As far as Hirschman was concerned, so much the better.

- Quote from the essay, “We Don’t Know, But Let’s Try It” by Simon Torracinta. The essay is about the economist Albert O. Hirschman, for whom social planning meant creative experimentation rather than theoretical certainty. The essay calls for more of his improvisatory optimism today. To read the essay: <https://www.bostonreview.net/articles/we-dont-know-but-lets-try-it/>

While lobbyists are paid to influence public policy in their favour, policy consultants are paid by the government to help craft policy. In either case, public policy is impacted by the private sector. In a report titled “[The Real Cost of Outsourcing](#),” the PIPSC (The Professional Institute of the Public Service of Canada) paints a grim picture: *Government outsourcing, especially outsourcing IT personnel, is costing Canadians billions of dollars each year. Government work, traditionally done by public servants, is increasingly being done by external consultants and contractors at a cost that should shock Canadians ... years of unchecked spending on outsourcing has created a shadow public service of consultants operating alongside the government workforce.*

A half-century on, it may be time to give NPM a rethink.

- Excerpt from the essay, “‘Consultocracy’ and the not-so-new public management paradigm” by Ken Grafton. To read the essay: <https://canadiandimension.com/articles/view/consultocracy-and-the-not-so-new-public-management-paradigm>



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(New Public Management (NPM) is a term first coined by Oxford University Professor Christopher Hood in this 1991 article entitled “A Public Management for All Seasons?” which described a then developing neoliberal paradigm in public administration focused upon smaller government, deregulation and profitability. It may be defined as a “series of beliefs and reforms that attempted to transform the public sector into an image of the private sector.”)

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Government by 'Consultant' can hollow out the State - Yamini Aiyar

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Country: India

URL:

<https://www.deccanherald.com/opinion/government-by-consultant-can-hollow-out-the-state-1170551.html>

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The 'consultant' performing functions outsourced to them by government is a global phenomenon

One of the great perks of a career as a policy wonk is that you get a ringside view of government. From the unventilated, dusty rooms of the Panchayat secretariats in villages to the corridors of power in North Block, I've spent years engaging with government as a researcher and policy interlocutor, but with the luxury of a participant-observer with "reflection" built into my job description. A few weeks ago, I was asked to identify one big shift in the everyday life of the government. The "consultant" was my immediate answer. You cannot walk into a government building today without bumping into the "consultant" – a private/non-profit sector employee, often young, committed graduates, racing about in the corridors, doing the job of bureaucrats. From the data-entry operator in jeans to the suited-booted consultant working side-by-side with senior civil servants, the consultant is, today, omnipresent. This is the 21st century Indian State -- a hydra-headed organization made up of permanent public employees and a parallel new bureaucracy made up of non-state, private employees.

This is not a uniquely Indian phenomenon. The "consultant" performing functions outsourced to them by the government is a global phenomenon. The "new public management" (NPM) school of thought that has dominated governance thinking since the late 1980s legitimized their presence by valorizing "efficiency", "market competition" and "business-like models". The government labyrinth with its red tape and maze of Weberian rules was simply incapable of efficiency and thus "outsourcing" was a legitimate option. Crucially, this was about managing fiscal costs. "Efficiency" is a useful ruse to legitimize curtailing necessary government expenditure on public welfare.

In the Indian context, NPM apart, weak State capacity, corruption, and an increasingly complex policy environment where technical expertise is a necessary complement to the generalist bureaucrat, created their own sources of genuine legitimacy. From public services to big infrastructure, consultants are involved in every aspect of administration.



They make policy design, draft rules, manage procurement, provide HR support -- including setting up project offices, hiring and training contract employees who draft documents -- implement programmes, and undertake third-party evaluation. The permanent bureaucrats oversee this entire exercise, routinely drawing on consultants to support their everyday tasks.

These myriad roles played by consultants have also created an extremely heterogeneous ecosystem. From the embedded non-profit and specialized social sector company -- often supported by the global multilaterals (UN, World Bank) and philanthropy -- to think-tanks (mea culpa) to the private global consulting firms, especially the big four, the “consultant” is hydra-headed.

In a complex policy environment, engaging expertise with a deep understanding of social realities in policy design and to experiment with implementation models is a legitimate, even critical, contribution. It brings evidence and rigour to policy choices and fuels innovation. After all, the very existence of my profession is aligned to precisely this purpose. I believe in its importance. Moreover, there are services where private sector efficiency trumps government capability – outsourcing passports is one example, contracting in IT services is another. Crucially, consultation, engagement, innovation and dialogue in policymaking are an essential democratic act and, in a limited way, the “consultant” is part of this democratic process.

But it would be a disservice to our professional purpose if we --consultants and bureaucrats -- fail to interrogate this new “parallel bureaucracy” and examine the risks it poses to the goal of building State capacity and bringing evidence and innovation in policy.

I see three key risks. First, doing the job of the State lets the State off the hook. When the government “outsources” even its routine functions, in the name of efficiency, you have to ask if it’s a symptom or a solution. After all, the first measure of efficiency is getting your workers to work, not bypassing them to farm off work to others! More importantly, this disincentivizes the State from focusing on the hard problem of skilling the State – getting recruitment and training right. It is routine to hear senior civil servants complain about poor quality talent downstream, which in turn pushes them to “outsource”, even as State administrative training has been left to rot.

This, in turn, creates a culture of disenchantment and demotivation in which the system believes the “consultant” is more capable of delivering core public goods than the State. In my view, this, more than NPM, drives the preference for public-private partnerships even in core government functions like health and education. This is a vicious cycle.



Once you stop believing, you stop building capacity. Moreover, it pits the consultant in conflict with the administrator, who then obstructs the consultant rather than learns from them. And when the consultant goes, the State is hollowed out.

Finally, accountability. The guiding values, vision and mission of government is, fundamentally, accountability to citizens, forged through a political consensus within the democratic framework. Private actors are accountable to the ideas they believe in, to the technical communities of practice in which they are embedded, and to their stakeholders. When the line between sharing ideas, evidence and expertise in policy design and actually doing the job of the government get blurred, this core democratic process of political consensus building and accountability breaks down, fueling rather than resolving the reality of corruption, poor implementation and bad governance that legitimized the “consultant” in the first place.

To be clear, consultants matter. In a democracy, they play a legitimate role in bringing ideas, innovation, evidence and expertise to policy. This is critical in the complex world of government in the 21st century. But it is worth remembering that the consultant is only effective in a capable State, and often less than useful in a disenchanted State that has stopped believing in its own capacity



The case against technocrats - Sharukh Wani

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Country: Pakistan

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It's a simple argument: Pakistan's problems emerge from leaders with poor skills — people who simply lack the knowledge of how to 'fix' the various issues that keep Pakistan poor. The solution is to bring people who are experts and give them the power to undertake reforms.

In come people with fancy degrees and years of experience. In 1993, Moeen Qureshi, who hadn't lived, voted, or paid tax in Pakistan since 1958, was flown in from the United States to lead a technocratic government.

An economics PhD, with an accomplished career at the World Bank and no partisan affiliation within Pakistan, he fit the technocrat bill perfectly, but the reforms his administration championed were unable to shift Pakistan's economic trajectory. Many reforms he did undertake, such as the State Bank's independence from the finance ministry, were overturned when he left.

More recently, Imran Khan appointed several technocrats, all impeccably qualified, to lead key policy areas: finance, tax, digitalisation, investment and civil service reforms. None could deliver. Some resigned, others stayed in the room but had little impact.

While this wasn't a 'technocratic set-up' like the Qureshi administration, it borrows from the same logic that the key knowledge that matters most to drive reforms is subject-specific (it is theoretical, technical) rather than about the underlying political economy that leads to certain policy choices in the first place. Knowing how to build a data system is prioritised over understanding the incentives of people to use or not use the data.

Outsourcing reforms to technocrats takes away the incentive for political parties to build up capacity to lead key reforms.

But in practice, reforms are a political process, rather than a purely technical one. Technical appointees often lack the necessary knowledge of the coalition building



needed to navigate a reform process or have the political capital to push a reform agenda.

Politics is neither random nor secondary, but the principal factor in any public policy reform process. Imran Khan's tax reforms would have been more likely to be successful if led by Nadeem Afzal Chan, rather than Shabbar Zaidi.

It isn't the lack of technical expertise that restricts Pakistan's economic growth or governance ambitions. It is because politics doesn't allow for pro-growth policies. Technical expertise can be built where politics is conducive to reforms, but where politics isn't conducive — technical expertise can't achieve much.

Take tax reforms: for decades we have broadly recognised that we don't raise enough taxes to pay for public services. Research has been done, commissions have been set up to recommend changes, but without any improvement in the system.

It is because the government's inability to expand taxation is political. Whenever there has been an attempt to expand taxes to retail or real estate, it's the political cost that has been unable to manage, not that it is technically impossible to do so.

The obsession with outsourcing reforms to technocrats also has wider implications. First, it takes away the incentive for political parties to build up capacity among their political leadership to lead key reforms. If politicians are going to always relinquish their seats on the table, how will they learn the basic technical aspects of various reforms?

Second, it undermines the democratic control over public policy, even during the years when Pakistan is a nominal democracy. It takes away responsibility from elected governments and gives it to unelected officials, who can ignore or override public preferences while politicians can delude accountability.

Third, as Daron Acemoglu and James Robinson point out in an excellent 2013 article in the Journal of Economic Perspectives, seemingly technical policy choices often have unintended political consequences — for example, when even well-reasoned policies end up strengthening an already powerful group or lead to instability. This demands a wider understanding of the politics of the country, rather than a narrow technical lens.

One example they discuss in the paper is of president Joseph Saidu Momoh of Sierra Leone, who, on the advice of experts, undertook reforms in the 1980s which included austerity measures.



While this was the right technical policy, it undermined the president's ability to maintain stability as the country's system of distributing benefits, such as through government jobs, weakened. He changed strategy in the early 1990s by moving to directly take over the diamond mines in the country's east. This, probably, helped fuel the subsequent civil war in Sierra Leone.

Fourth, when technocrats drive reforms, it is natural that the reform process would end up focusing on technical aspects of reforms instead of the underlying structural issues that create the incentives for poor policy choices in the first place — treating symptoms, rather than causes.

This doesn't mean that technocrats don't have a role in public policy. They do. The government should leverage technical expertise to shape effective policy design, critically learning from the evidence of what is working and what isn't.

One way to do this is by bringing in technocratic expertise specific to policy levers, such as has happened in the central bank, where such expertise can be recruited where needed. More useful would be reforming the bureaucracy so more technocratic expertise is built in-house.

But reforms must be fundamentally owned by politicians themselves, who understand how political coalitions can be built, can be held accountable for their actions, and can put policy advice in a wider social, political and historical context.

When Moeen Qureshi was asked about why he accepted the premiership, he said: "There were things that I could do for the country which were difficult to do from a political point of view — and people had not done them for many years." But ignoring the political point of view didn't work then. It won't work now. The technocratic dream is what the name suggests — a dream.

*The writer is an economist at the Blavatnik School of Government, University of Oxford.
The views here are his own.*

Twitter: @ShahrukhWani



The Henry Mance Interview: Mariana Mazzucato - 'The McKinseys and the Deloittes have no expertise in the areas that they're advising in'

Source: Financial Times

URL: <https://www.ft.com/content/fb1254dd-a011-44cc-bde9-a434e5a09fb4>

Published date: 13 February 2023

The economist argues that consultants are hobbling the state's ability to perform the role of economic motor

The theory is simple. When organisations face challenges, they bring in high-IQ, high-octane outsiders with specialist skills and new ideas. Although the outsiders cost a lot, they don't stay long and they more than pay their way by improving efficiency. No one ever got fired for hiring McKinsey.

The reality has long been more complex. What do these outsiders — strategy consultants, such as the 'Big Three' of McKinsey, Bain and Boston Consulting Group — really know? Critics say their ideas are often ones that the hiring organisation has already thought of. There are some complete disasters, such as McKinsey's work promoting opioids. Yet consultants, supposedly brought in for short projects, never seem to leave.

If Mariana Mazzucato were afraid of controversy, she might leave this well-rehearsed debate alone. But Mazzucato, a fast-talking, 54-year-old economist at University College London, leans into intellectual combat.

For the past decade, she has waged a sometimes lonely battle to rehabilitate the state's reputation as an economic motor. Her new book, *The Big Con*, written with Rosie Collington, argues that consultancies are hobbling governments' ability to perform that role. In her office, holding a Diet Coke, she says: "For me, the big wake-up call was Brexit [preparations], because [the consultants] were everywhere." In 2019-20, the British government spent nearly £1bn on strategy and other consultants — to the despair of some MPs. Mazzucato and Collington also widen their critique to include the Big Four accounting firms, such as Deloitte, and outsourcing companies, which carry out chunks of the state's core functions.

The Big Con of the book's title is not a crime; it's a confidence trick. Consultancies and outsourcers, Mazzucato argues, know less than they claim, cost more than they seem to, and — over the long term — prevent the public sector developing in-house



capabilities. “We’re not against consultants. The problem is when an industry [has] no incentive to get the government to be independent. A therapist who has their client in therapy forever obviously isn’t a very good therapist.” Consultants are not “neutral” about the role of the state, either, Mazzucato argues, citing their private sector work. They promoted slimming the state after 2008.

On both sides of the Atlantic, advocates of state action like Mazzucato are in the ascendancy. But she worries that there is still an unwillingness to invest in the bureaucracy itself. “The state is back, if you look at the figures.” The EU has a €2tn recovery plan. Mazzucato despairs that, in Italy, even under “a great leader” like Mario Draghi, the plan for EU funds was guided by McKinsey. The US spent \$5tn in Covid aid. “It’s going to be wasted if we don’t know how to govern that.”

Born in Italy, raised in the US, Mazzucato has lived in the UK for 22 years. She is charismatic and media-savvy. Before we meet, I receive an email instructing me to refer to her as a professor, not an economist. I assume this is a status game, but she laughs it off as a point of principle. “I’m proud to be an academic.”

Mazzucato’s work has pushed back against post-financial crisis austerity, and the theory that the private sector knows best. “For the past fifty years, the Chicago school kind of economics, new public management, public choice theory has in some way reduced our faith in what government can do.” Government was “there at best to fix market failures”.

Her 2013 book *The Entrepreneurial State* detailed how governments had historically done much more, seeding technologies, including the internet and electric cars. Although she places herself on the centre-left, her ideas have appealed to those on both the left and right. Mazzucato worked with Scotland’s first minister, Nicola Sturgeon, to set up the Scottish National Investment Bank. She missed going to Davos this year because she was due to fly to Barbados to work with its premier Mia Mottley, and had to juggle childcare with her husband. She has four children with Carlo Cresto-Dina, an “artsy-fartsy” film producer whose latest film, *Le Pupille*, is nominated for an Oscar.

To highlight the risk of consultants, her current theme, Mazzucato goes back to the Apollo space programme, where Nasa’s director of procurement in the 1960s warned that the agency was at risk of being “captured by brochuremanship”. In recent times, Covid has been a bonanza for consultants: the UK was paying Deloitte £1mn a day for its work on testing and contact tracing.



In 2020 Theodore Agnew, then a UK government minister, complained that the reliance on consultancies “infantilises the civil service by depriving our brightest people of opportunities to work on some of the most challenging, fulfilling and crunchy issues”. But his proposed solution, an in-house government consultancy, has now been abandoned, because it struggled to match the range of external consultants. Mazzucato describes that as “a tragic” step, suggesting that Whitehall departments aren’t committed to reducing their spending on consultants.

The difficulty in criticising consultants, I suggest, is that the evidence is elusive. Consultants’ work is often opaque, and feeds into broader processes. French parliamentarians criticised McKinsey for its role in the country’s sluggish vaccine rollout. But how do we know that things wouldn’t have been even worse without the firm? “These are private companies, the McKinseys and the Deloittes, that have no expertise in the areas that they’re advising in.”

The Big Con covers HealthCare.gov, Barack Obama’s stumbling healthcare portal, which involved more than 55 contractors. An official report blamed a federal agency for failing to oversee the contractors; Mazzucato argues the very complexity of subcontracting would have defeated anyone. But can this debate go beyond competing anecdotes of consultancies’ incompetence and civil service incompetence?

Equally, the idea that consultancies’ net zero proposals are shaped by their commercial contracts is plausible, but hard to prove. Mazzucato says what she wants is more disclosure of the firms’ interests. She wants contracting to stop being the “default response”, and for governments to look to public research institutions where possible.

Her own unit at UCL does consulting work: “the main difference is that our goal is to make that government entity independent . . . We don’t want that second contract.” The calls keep on coming in: “Just yesterday the deputy prime minister of Spain got in touch because they have their own scandal now with consulting companies,” she says as an aside. You can see how her fluency and confidence would appeal to lost politicians.

What does Mazzucato think of Keir Starmer’s vision of the state? In a speech last month, the Labour leader spoke of investing in “national missions” — her own language. But he also said he would be “more relaxed about bringing in the expertise of public and private”.



“That’s a problem,” she says. The question is not to be relaxed about the balance of private and public, it is: “how do you get ambitious?” She praises the BBC, “one of the only organisations that has thought about things like public value”, and how public investment can catalyse private investment.

“My recommendation to Labour is to not fall into the trap of public versus private, and when we talk about public, [to always do so] with a warning . . . Starmer needs to step up the narrative on what public and private can do together — sharing risks and rewards — versus how one should facilitate and de-risk the other.

The EU’s Green New Deal, for example, can’t be done “using old tools”. A cost-benefit analysis of the Moon landings would have grounded the crew, she says. “If we applied today’s criteria, there would have been no justification for trying.” The Apollo missions helped to bring about today’s camera phones and baby formula. But the UK Treasury’s methodology for public investment “dismisses” the possibility of such positive spillovers.

Governments must learn how to get good value for their investments. The US’s Chips Act, for example, should have more conditions in its loans and grants: “Giveaways are a bad use of public money.” Mazzucato cites Germany, where state bank loans to steelmakers were conditional on lowering material inputs, but with the exact way of achieving it left to the companies. She applauds the French government for making Covid support to Air France and Renault conditional on reducing carbon emissions, while the Bank of England simply “gave” easyJet a £600mn loan.

The civil service can’t match the pay or training that private consultancies provide. But if it took more responsibility, and paid a little better, it might attract the brightest graduates. “You can actually have a creative and dynamic civil service,” says Mazzucato. “By design, we’re making it much more interesting to work in the Googles, the Goldman Sachs and the McKinseys. How do you revive the civil service? It’s not by the Dominic Cummings ‘we need geeks in government’. It’s by changing the remit of government. We need to make it really cool.”

I wonder if voters’ scepticism of a stronger public sector will linger, because they fear that there is no money left. Mazzucato blasts back: “Money comes out of the woodwork for wars. Has anyone ever said we can’t go to Afghanistan, we can’t fight world war two, we can’t go to Ukraine because there’s no money? When we care about stuff, we create money, especially in countries with their own sovereign currency.”

Austerity often creates its own costs, she argues, citing the closure of youth clubs in her neighbourhood in London.



For a moment, she is breathless, relentless, ideological. Then she steps back and attempts to appeal to the widest possible audience: “It’s not about big government or small government. It’s about the how.”



How consultancy infantilises governments: Mariana Mazzucato and Rory Sutherland in conversation

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Country: United Kingdom

URL:

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Mariana Mazzucato is a professor in the economics of innovation and public value at University College London. She speaks to The Spectator's Wiki Man, Rory Sutherland, about the book she has co-authored with Rosie Collington, The Big Con: How the Consulting Industry Weakens our Businesses, Infantilises our Governments and Warps our Economies.

Rory Sutherland: I'd like to start by congratulating you. The extraordinary growth in scale, wealth and influence of management consulting firms over the past 20 to 30 years is undoubtedly a phenomenon worthy of extensive investigation, particularly as it pertains to government contracts. We are effectively devolving decision-making to people who are doubly unelected in many cases and whose own interests may diverge fairly dramatically from the collective interest or the interest that the government is supposed to be pursuing. So what fascinates me, working in an advertising agency, is that if I went to speak to Avis or UPS, I could plausibly comment on branding for those people but it would be an act of supreme hubris for me to waltz into those businesses on the basis of an Oxbridge degree in classics and claim to know more about car rental or transportation or distribution. Yet for some reason, if you put one of the big four or big three names on your business card, you are granted that licence to an extraordinary degree.

Mariana Mazzucato: There's this rubber-stamping that both companies and governments have gotten used to. They think: as long as you have a McKinsey or a Deloitte rubber stamp on a plan, 'Oh then it'll fly'. That's a complete cop-out. An abandonment by government and business.

RS: In consumer decisions we're trying to minimise the risk of regret, so my view is that we pay a premium for brands, not because we think they're better but because we're more certain that they are pretty good. I always argue that McDonald's is the most successful restaurant in the world, not because it's brilliant but because it's incredibly



brilliant at not being bad! Therefore you will always be drawn to a few consulting megabrands because they have a magical property which is if they mess up, everybody blames them but not you.

MM: Yes, but the government gets blamed all the time, right. Look at the massive failure of the climate strategy that McKinsey brought to Australia. The government had already paid to invest in a public entity that had climate expertise, and yet they were so unconfident of using it to deliver climate strategy that they paid \$6 million to McKinsey.

RS: There may be a case where there is a shamanistic value in expensive consulting as a commitment device. It's a bit like an engagement ring; upfront expense is commitment to long-term intention, and that can be valuable. Shamanism can be valuable, even shamanism in pursuit of a non-perfect decision can be valuable if it at least creates some sort of unity and enables you to act.

MM: The trouble is, you learn from your mistakes, you learn by doing, trial and error. So when the government starts to outsource, due to fear of risk, it actually becomes like a baby. This is good for the consultants because then you have these infantilised governments that become addicted to you. You say let's not blame the consultants. But governments need to wake up and to grow up. Health pandemics, climate change, the digital divide – all these problems require capable government, capable business and symbiotic and mutualistic collaborations, not weak government and parasitic collaborations. The parasitic relationship between public and private is the problem.

MM: Actually, in pharmaceutical innovation and digital innovation and green innovation, the governments of some countries have always led. Darpa [Defense Advanced Research Projects Agency] did the internet, the CIA did touchscreen technology, the Navy did GPS and so on, but because we don't admit that the government can create value, we don't end up doing the case-study research like Harvard Business School has for the private sector. We need to learn: what does it mean to develop a purpose-, problem-oriented government organisation? How does it work with other bits of the public sector in a dynamic way? How does it work with the private sector in a symbiotic and not parasitic way? So our book ultimately is one full of hope that we can do so much better. The role of consulting in the future should basically be to advise on the sidelines instead of being in the centre.

RS: There is a very unfortunate thing that I can see happening, which is what I sometimes call Soviet-style capitalism, which is that IT is in many ways bringing in central command and control through a back door. There's a huge denial of tacit knowledge, a huge denial of learning by doing, and I call this the doorman fallacy. The fallacy is when you walk into a five-star hotel and you define the function of the doorman



as opening and closing the door, you determine that can be replaced by an automatic door-opening mechanism. You fire the doorman and install, with your tech consulting partner, an automatic sliding door and then you walk away. Now what happens is that five months later you realise that the doorman performed a whole variety of tacit roles like recognition, status, security, sharing information with other doormen on potential dodgy guests, and what you discover is that after you've banked those false economy savings, six months later your rack rate is 50 per cent down and vagrants sleep in your entrance. But as far as you the consultant are concerned, your project was a complete success because you banked savings within the very narrow way in which they were defined.

MM: In the book we look at how the government is weakened when there is no more real thinking around issues like public value, public purpose. Public value, by the way, is a measure within the BBC. It holds the BBC accountable when it's doing things which in theory might be more business-oriented, like talk shows and soap operas, versus the classic market failure of high-quality news and documentaries. I have yet to find a Department of Health, a Department of Defence, a Department of Energy, a Department of Innovation in the UK that has an equally interesting dynamic vs static metric that says we need public purpose in the public interest but we also have measures to hold us accountable. So today, when we are hearing from Keir Starmer that we need to reform the NHS, the risk there is it's using the same language; there is no re-imagining of the language we actually require to strengthen the NHS, make it more dynamic and capable and help it to work alongside other actors. That's what a progressive agenda should look like and yet we are going back to the idea of just focusing on the waiting lists.

RS: One of the things we have to talk about is just the question of language. For consultants and in IT for some reason, if you talk about something in technological terms or in economic terms, it accords you very high status, and if you talk about something in practical terms it doesn't. One of the things that I noticed at the very beginning of the pandemic was government was making huge pleas to people like Google and Facebook, and the one thing I did say was the people you need to be talking to here are actually Royal Mail, because they deliver 80 million things every day.

MM: Look at the vaccine rollout, in which the NHS and the community GP practices did so amazingly, unlike what Deloitte ended up doing with Test and Trace. It wasn't a surprise that Deloitte failed. Was Test and Trace in the expertise portfolio of Deloitte? Of course not. So, it's interesting that even the UK government, which has been susceptible to all this outsourcing, privatisation and consultification, actually continues to have some really good examples – the vaccine rollout, GDS and so forth – that we should be learning from. It's not like the civil servants actually think that McKinsey or



Deloitte or KPMG are actually producing all this value. They all know the system is broken.

MM: It's not that all consultants are bad, the problem is how this industry is set up.

The business model underlying it is open to conflicts of interest – so in South Africa consultants are advising both ESKOM, the state-owned enterprise, and the Treasury, both sides of the street. The lack of transparency and the decimation of these internal capabilities that we require in the public and the private sectors, these are huge problems that the world knows about but what do we do about it? We need a functional consulting industry and I think what we'd like to do after the book is published is to run some workshops with the industry, the private sector, the government sector, to find a way forward that makes sense.

RS: An entrepreneur has one huge advantage over a larger institutional business or government, which is that he or she does not have to justify every single decision to somebody else and therefore is free to make bets which on the basis of conventional rationality seem insane. I always give the example of Red Bull. The most successful attempt to compete with Coca-Cola in 50 years comes with a drink that costs more, comes in a smaller can and doesn't taste as nice! Dyson – there is no evidence before Dyson existed that there was a market for a £700 vacuum cleaner. Every single bit of data you looked at basically would have told you to forget it and anyway, anybody who has got £700 to spend on a vacuum cleaner probably doesn't Hoover their own home. Now, the freedom to take those divergent bets comes into conflict with the assumption in all institutions – not only government but also business – that the quantity of information and the degree of rationality is a good proxy for the quality of a decision, and this is a philosophical question. Gerd Gigerenzer would be one of the people who interestingly dissents here by saying that, in some cases, less information can lead to better decisions.

In some cases, the way I always put it is that there are more good ideas you can post-rationalise than there are good ideas you can pre-rationalise. Entrepreneurs are free to explore the ideas that you can only post-rationalise, you can't pre-rationalise. If you are in an institutional setting and your job's at stake, and bear in mind the asymmetry of incentives is enormous because if you do something rational, if you succeed you get a pat on the back, if you fail it's not your fault. If you do something that you might call hypothetical, you do something slightly braver, if you succeed you probably get the credit stolen by someone else, and if you fail, you lose your job.



MM: Yes, but Rory, instead of saying, 'Oh, the public sector is large and bureaucratic so it can't be entrepreneurial', we need to reinvent bureaucracies to be creative, flexible and agile as they have been shown to be in some moments of history that we should be learning from.

Any venture capitalist will tell you that for every success you are going to have ten failures, but that's always been just as true for the government when it is doing really difficult risky things. So the question is, do we want the government just to sit back, correct market failures and not engage with risk, not engage with the big challenges of our time? That kind of mentality is what gets us a weak government.

So it's a sort of self-fulfilling prophecy, thinking entrepreneurship is just in the private sector and we have these big boring bureaucracies that at best should build motorways, infrastructure, give a bit of money to SMEs, build schools and then get out of the way – that's the kind of myth that we need to debunk, because what we need is creativity and entrepreneurship in both sectors, public and private.

RS: But can we create a media environment where the government is allowed to make any mistakes, even if it learns from them?

MM: That's a longer conversation, probably with drinks.



A technocratic solution? - Zahid Hussain

Source: Dawn

Country: Pakistan

URL: <https://www.dawn.com/news/1478083/a-technocratic-solution>

Published date: 24 April 2019

The change may have been in the offing for some time, but still the abruptness of it was disconcerting. The cabinet shake-up within eight months of coming to power indicates that a serious problem has beset the PTI government. The sacking of a few ministers and reshuffling cabinet positions is not likely to stem the rot. Now a hapless prime minister is seeking a technocratic solution to his predicament. Can it work?

Nothing could be more bizarre than the decision to sack the country's finance minister in the middle of critical negotiations with the IMF and just weeks before the announcement of the annual budget. Asad Umar may have his shortcomings, but he cannot be held solely responsible for the chaos in economic policy. The prime minister must accept part of the blame for the drift too.

It was extremely humiliating for a leading member of government and the party to be shown the door in this manner. The news about his imminent exit was already out when Asad Umar was still in Washington negotiating a bailout package with the IMF. Hours before the notification, he sounded secure about his position. Surely he had been in the eye of the storm for quite some time and had also faced criticism for his handling of the economy within the party. Yet, few expected the axe to fall in this way.

Greater reliance on technocrats in a parliamentary form of government weakens the political process.

Then there is also the question about the other factors influencing the shake-up. Curiously, the rumours about the change suddenly gained currency after the reported interaction of a group of media persons with the top military leadership. The security establishment appears increasingly concerned about the financial crisis. A floundering PTI government has allowed it to further expand its space. Its shadow is now perceptible over a wider political spectrum.

There may not be any doubt about the competence of Hafeez Sheikh, but his choice as the new economic czar reinforces the perception of the growing role of the



establishment in policy matters. Hafeez Sheikh's name came from nowhere at the last moment. It seems that even senior PTI leaders were not in the loop.

A former finance minister in the last PPP government who had also been an important member of the Musharraf government, Sheikh was never known to have any association even remotely with the PTI. It's no more a secret that his induction in the PPP government also came on the recommendation of the then security leadership. Even though he is very much an experienced hand and an able economist, the challenges he will be facing are daunting.

Whether or not the new economic adviser will be able to deliver depends largely on the political will of the PTI government. One cannot expect miracles to happen with a weak political leadership unable to take tough decisions and effectively implement much-needed structural reforms. Moreover, for economic reform to work, there is also a need for the government to build political consensus. It needs more than just putting a competent economist at the helm.

It is apparent that Sheikh's appointment is part of a move by the prime minister to rely more on technocrats to run the government. Besides finance, some other key ministries are headed by non-elected advisers now, including commerce, health and information. Surely technocrats are important as they bring in expertise where it is lacking, but the responsibility of policy formulation cannot be left with the non-elected technocrats.

No policy can be successful if it is not based on ground and political realities. Greater reliance on technocrats in a parliamentary form of government weakens the political process. The idea of technocrats delivering good governance is a myth and has repeatedly been proved wrong. As the PTI government relies more on non-elected technocrats, the party has become weaker.

Restructuring the cabinet is indeed part of a normal political process. Ministers who do not perform ought to be sent home, but arbitrary decisions can also have a demoralising effect on the party and government. The manner in which the changes have been made has certainly not reinforced the confidence of the party in the leadership. Some of the new appointments are extremely controversial.

While Sheikh's appointment was a surprise, perhaps Khan's most controversial move is the elevation of retired Brig Ijaz Shah as the new interior minister, a portfolio that was earlier held by the prime minister himself. A former Intelligence Bureau chief, Shah now holds one of the most powerful positions in the federal cabinet. The move has reinforced the perception that Khan's government represents Musharraf's legacy.



The induction in the cabinet of such relics of the past prompts an important question, and one that negates Khan's promises to break with the status quo and introduce a new generation of leaders. At this point, the PTI government looks no different from previous governments. The fact that there's still more of the old than the new has further dented the PTI's claim of being a party of change.

Disarray and widening divisions in the party are more palpable post cabinet shake-up. The speculation about a change of guard in Punjab and KP has intensified the jostling among various groups and factions within the party. Khan's recent warning to the provincial chief ministers to get their act together is viewed as a signal for change. But continued indecisiveness has added to the prevailing uncertainty, further affecting governance in the provinces.

Most worrisome is the ruling party's weakening hold in parliament. The PTI's inability to effectively defend the government in the face of an increasingly aggressive opposition has been badly exposed in recent sessions. It was an embarrassing situation for the ruling party when Bilawal Bhutto-Zardari launched a blistering attack on the government and the prime minister in the current National Assembly session. There was no one from the front benches to counter the criticism.

What the prime minister will not understand is that merely turning to technocrats may not deliver. More than new faces, the government needs a clear direction and a vision for change.

The writer is an author and journalist.

zhussain100@yahoo.com

Twitter: @hidhussain



Government use of consultants soars in India - Siddarth Shrikanth

Source: Financial Times

Country: India

URL: <https://www.ft.com/content/76f530ae-787e-11e9-b0ec-7dff87b9a4a2>

Published date: 26 June 2019

Consultancies' turnover rose by an average of 10% annually in five years to 2018)

Obtaining an Indian passport was once notoriously complex, with applicants forced to wait several weeks or months and fight through a maze of bureaucracy. In 2008, that began to change when the government handed Tata Consultancy Services a mandate to overhaul the country's passport system and operate a new network of passport issuance centres.

Today, citizens can be issued a passport within three days after a simple online application and a visit to one of 88 application centres, run by TCS alongside the government. At these centres, private employees collect biometric data and carry out document checks before passing applications to public servants for approval.

To supporters, the passport project is a shining example of the ways in which the private sector can quickly step into roles traditionally filled by the state, while improving decision-making and service quality. Smaller, specialist firms in particular are cited by supporters as providing cost benefits over state-run services.

But critics say the creeping role of big, expensive international consultants in areas that were once off-limits to the private sector offers poor value for money for cash-strapped developing countries. Worse still, they say, relying on private companies erodes state capacity and creates a long-term culture of dependency that can be hard to reverse.

What both sides can agree on is that consultants are doing a roaring business in India. Turnover at consulting firms grew by an average of 10.8 per cent annually in the five years to 2018, according to Euromonitor, with industry revenues totalling Rs4.5tn (\$64.8bn) that year. While it is likely that the majority of demand is from the private sector, the government's appetite for their services is also clearly on the rise.

Under prime minister Narendra Modi, consultants have been enlisted to support a number of the central government's flagship initiatives, including Clean India, Digital India and the smart cities programme, which aims both to improve living standards and



boost economic growth. Meanwhile, state governments have also enlisted private support for their own grand plans. McKinsey, for instance, is helping the southern state of Andhra Pradesh design a new capital city in Amaravati.

While public statistics across India's central and state governments can be hard to compare, data from Niti Aayog, the revamped central planning commission, illustrates a broader trend, despite being a small fraction of overall public spending on consultants. Budget allocations for "professional services" at the agency increased nearly fivefold from Rs3.86m to Rs18.2m between 2016-17 and the following year, and rose by 30 per cent in 2018-19, according to data from the Ministry of Planning.

The boom has attracted a number of challengers to established management consultancies with public sector practices, including the Big Four, Boston Consulting Group and McKinsey, which now compete with newer specialist entities such as Dalberg, IDinsight and Intellectap.

Some have found a niche in data collection and performance tracking in a large and populous country where policymakers have long struggled to gather reliable statistics.

"Data sufficiency is a major barrier . . . existing government data can be infrequent, as in the case of the national census, or self reported and therefore inaccurate," says Divya Nair, director at IDinsight, a development consultancy. Her company is working with the government to conduct independent surveys that track socioeconomic outcomes from public programmes.

Mrs Nair points to IDinsight's work on behalf of Niti Aayog in India's 100 poorest districts, where it provides data analytics for government-run sanitation, nutrition and agriculture initiatives, as an example of a successful partnership between the private sector and the state.

But consultancies have also moved beyond outsourcing service delivery, as in the TCS passport project, to providing strategic advice to governments and designing policy interventions themselves.

Dalberg Advisors, one such organisation, says it works with governments to "design strategies that will maximise their scale, efficiency and impact". Gaurav Gupta, regional director for Asia at Dalberg and formerly a BCG employee, says he set up Dalberg in India to bring a problem-solving approach that "was once restricted to Fortune 500 companies" to bear on the country's social challenges.



“Our price points are lower [relative to traditional firms],” Mr Gupta says, adding that its internal incentive structure and explicit focus on social impact allows it to act as a trusted stakeholder to public servants, as opposed to larger, often more commercially-oriented companies. He highlights his company’s success in attracting top talent, saying the chance to work exclusively on social impact projects can be a powerful recruiting tool in a competitive market.

Doubts remain, however, over the long-term impact of the government’s embrace of consultants, particularly for strategically important projects. “Ultimately, the Indian state simply cannot do everything it wants to do without a massive increase in manpower, so turning to the private sector to implement programmes if they are cheaper and more efficient makes sense,” says one former senior civil servant, who has worked with consulting companies on national programmes.

“But if consulting firms are taking on the sovereign functions of the state, including policymaking and strategic planning, that does raise serious questions about dependency and conflicts of interest,” he adds, cautioning that governments at all levels would do well to retain and strengthen those capabilities in-house.



India needs homegrown consulting firms to become a thought-leader - Abhishek Mukherjee

Source: Live Mint

Country: India

URL:

<https://www.livemint.com/opinion/online-views/india-needs-homegrown-consulting-firms-to-become-a-thoughtleader-11636306445168.html>

Published date: 07 November 2021

Ask about the list of top strategy consulting firms and the answer will hardly change across the world—McKinsey, BCG, Bain, Accenture, Arthur D Little, Deloitte and so on. Almost all these firms, though global, are US-bred.

Are Americans fundamentally better consultants? No. Consulting is a tertiary industry. Primary and secondary industries must grow to create the consulting industry. For most of the 20th century, the US was the engine of global economic growth. This created the platform for US-bred consulting firms to build the experience, credentials and methodologies that they effectively exported to other countries. US-bred consulting firms are the missionaries of the American way of doing business globally.

Extending this logic, given India will be a key engine of global growth in the 21st century, shouldn't there be a set of India-bred global consulting firms? Absolutely.

Is this trend already playing out? In some ways, yes. Almost all the firms listed above leverage Indian talent to support their global engagements. McKinsey leverages its knowledge centre based in Gurugram, Bain does the same with its capability network as does Accenture with its global network. Deloitte recruits consultants in Hyderabad to support its US offices in high-end consulting work. These US-bred firms leverage thousands of India-based consultants to support engagements globally. In addition, there are thousands of Indian consultants working for these multinationals in international offices.



If US-bred firms are already leveraging India for high-end consulting services, why aren't India-bred firms taking the lead? The answer is complex: Since the advent of globalization, its rules have been designed to favour the West, with India positioned as a source of "cheap" talent, no matter how high-end. International firms have been quick to leverage India's talent and cost-advantages while Indian firms have struggled to build against the tide.

Even India's enduring success story, the IT services industry, is pegged as a support service at the CIO-level, instead of a strategic service at the CEO-level. This positioning has been challenging even for leaders such as Infosys, which has struggled to build a globally competitive consulting practice.

Are there indications that this trend may change? Yes, we are observing the convergence of a few critical change drivers. The Indian economy has grown to an extent that India-bred firms can build the experience, credentials and methodologies to succeed globally. As digital technologies become integral to every business, Indian IT majors now have direct access beyond the CIO to the CEO and board. Indian consulting talent, both in India and abroad, have reached a critical mass. Access to top-class talent is no longer restricted to a few multinationals. Finally, covid-19 has significantly lowered the demand for physical co-location for high-end consulting services. The benefit of co-located offices that multinationals enjoyed has reduced significantly.

So, what needs to happen to create at least five India-bred global consulting firms? First, we need a few India-bred firms to build scale and establish the business model. This will create a body of global case studies and sponsor clients that are necessary to build on this trend. That is exactly what we are trying to do in Auctus Advisors: More than half our business is already global and we have sponsor clients in the US, Spain, UK, Brazil and the Philippines. Second, India-bred consulting firms need to come together to form an advocacy platform like Nasscom (or perhaps Nasscom needs to expand its remit to include India-bred strategy firms). Finally, while covid-19 may be the



equivalent of the Y2K event that propelled Indian IT to the global stage, we need someone to build and own this narrative, like Thomas Friedman did for IT services with The World is Flat.

Strategy consulting firms may employ smaller numbers than IT services, but the impact this industry can create is disproportionate. The soft power that an India-bred global consulting industry can wield is critical to India's overall competitiveness in the global stage. India needs its own consulting firms to re-position its economy from cost-leader to thought-leader.



Consultancies benefiting from Modi government's push on projects like Digital India, Swachh Bharat - Sachin Dave

Source: Economic Times

Country: India

URL:

<https://economictimes.indiatimes.com/industry/services/consultancy/-audit/consultancies-benefiting-from-modi-governments-push-on-projects-like-digital-india-s-wachh-bharat/articleshow/48168768.cms>

Published date: 22 July 2015

Advisory is all the rage in the corridors of power these days. Taking a leaf straight out of the Gujarat playbook, the Narendra Modi government has hired consultants for projects such as Make in India, Digital India, smart cities, Swachh Bharat and skill development.

That's meant roaring business for consultants, especially the advisory units of the Big Four - PwC, EY, Deloitte and KPMG - along with strategy firms such as McKinsey, The Boston Consulting Group (BCG) and Bain.

There's been a quantum leap in government engagements in the past few months as various programmes have been rolled out. Exact figures aren't available, but a rough calculation by a senior consultant suggests a ballpark figure of around Rs 500 crore in fees in the year ended March.

"You have to understand that the engagements started only post August. First the government invited quotes from consultants and took a mandatory 90-day period before hiring the consultants," he said. The Modi government took over in May last year.

In a year's time, consultants expect that the total revenue from government engagements could rise to Rs 750 crore. It's not just the Centre, the states too are engaging consultants for multiple development initiatives.

"There has been acceleration in our government practice, which is one of our largest practices, in the last few months and we have seen a growth of more than 30 per cent," said Deepak Kapoor, chairman, PwC India. "A reason for this is the plans of the government in the areas of Digital India, Make in India and smart cities taking shape."

Industry trackers said consultants are roped in at various stages for almost all government projects.



"As the government takes up a number of projects in various sectors like infrastructure to skill development, more consultants are being roped in at various stages," said Ram Sarvepalli, national lead er, advisory services, EY India, and partner, emerging markets centre, EY. "This is happening at both the state-level projects as well as those (by) the central government."

Consulting firms say they are pleasantly surprised at the fresh outlook in government circles combined with a savvier bureaucracy.

"Not only are they more open but they know what they are looking for. They want expertise and they do their research on which firm to work with and even which partner in the firm. So competition is down to even partner level," said the CEO of a consulting firm.

Among the states, Andhra Pradesh has engaged EY, Rajasthan has roped in BCG and EY, Odisha is working with EY and PwC, and Madhya Pradesh is working with EY and PwC for a World Bank project.

"Most of the engagements begin with conceptualising the projects, which means doing a detailed project report on the feasibility of a project, and determining the cost of the project," said a consultant.





In some cases, the consultants also help the government execute the projects. While the process requires calling for requests for proposals, the advisory that helps draw up the road map usually gets the project, said a consultant.

The role of the consultants shows up clearly in the process, according to bidders. "Just read the RFPs for all the big projects where companies are required to bid, and you will realize it's a professional job," said a top executive at a digital firm.

There is also some training of civil servants by the advisories. While this has not started on a large scale yet, industry trackers say this could be a huge opportunity. Consultants expect that the engagements will rise in the coming year as the government presses ahead with more growth-based projects. "We expect to see more traction in this practice in the days ahead," said Kapoor of PwC.

Consultants point out that the state-level engagements are over and above that of government-owned banks related to turning around assets or restructuring stressed loans



Technocracy After COVID-19 - Jonathan White

Source: Boston Review

URL:

<https://www.bostonreview.net/articles/jonathan-white-technocracy-after-covid-19/>

Published date: 27 April 2020

Crisis management only blurs ever more the boundary between politics and technical expertise

COVID-19 represents a new form of economic shock that cannot be tackled using the textbooks of the past.” So recently observed Christine Lagarde, head of the European Central Bank (ECB). That emergencies throw orthodoxies in the air seems clear; fresh problems demand fresh thinking. But her words also hint at how technocrats define themselves in a crisis. As much as these are the conditions in which expertise is challenged, they are also times of opportunity. Officials can recast themselves as practical, flexible, and independent-minded—possessors of the deeper insight that lies in knowing when to set aside yesterday’s formulas. Crisis moments encourage the transformation of technocracy, and with it the relation to politics.

Twentieth-century history shows how turbulent times can produce calls for expert-led government. Movements for technocracy emerged in 1930s America and Europe in response to the Great Depression, taking inspiration from the rationalism attributed to wartime planning. The kind of expertise they prized was marked by the experience of crisis. Practical in spirit, it was about knowing what works, and how to fix things when they break. Many consciously celebrated the figure of the *engineer*. The writings of Thorstein Veblen, Howard Scott, and Walter Rautenstrauch in the United States likened society to a machine, calling for government as “social engineering.”

More soberly and influentially, the engineer’s outlook was present in Keynesian economics, emerging with the [General Theory](#) in 1936 as the basis of postwar technocracy. Formed in the encounter with mass unemployment, this was macroeconomics as problem solving. In a world assumed to be volatile and swayed by the “animal spirits,” markets never quite worked as they should. The policymaker’s role was to tinker and probe, to keep things working despite stresses, strains, and shocks. Confronted with a complex and changing reality, discretion and judgement were needed, along with the prudence to build in spare capacity for the unexpected.



As the Keynesian consensus passed with the energy crises of the 1970s, a new vision of technocracy emerged, based instead on the ideal of the *scientist*. For monetarists like Milton Friedman, previous orthodoxy rested on dubious propositions that needed rigorous testing: the economist-engineers had taken too much for granted. More than earlier liberals like Friedrich Hayek (himself a critic of “[scientism](#)”), neoliberals developed their ideas on the model of physics. Assuming a basic stability in how the world works—how markets operate, why firms behave as they do—the economist-scientist was to seek general laws of causality, while technocracy was to use standard templates rather than personal judgement and discretion. Both would be a kind of anonymous process, politically invisible and independent. Central banking would be based, ideally, on fixed rules and delegated objectives (e.g. low inflation), while the International Monetary Fund (IMF) and World Bank would develop a [Washington Consensus](#) of standardised policies, for which post-communist societies were a convenient laboratory. There was a utopian current in this model of technocracy: rather than manage an imperfect order, the goal was the optimal arrangement.

But what about when things go wrong? Technocracy-as-science suits stable times, when the real world can passably resemble the laboratory. Emergencies disrupt this norm, since actions must be taken quickly, before all the evidence is in. When the Asian financial crisis hit in 1997, a different expertise seemed called for—know-how more than know-that, plus knowing what not to do. Enter the figure of the *doctor*, and a tendency to liken the newly globalized and financialized economy to an organism struck by pathogens. Faced with “[Asian flu](#),” the role of IMF policymakers was to tackle contagion. On the model of [disease control](#), this approach recognized the reality of degenerative tendencies, while implying most were external to policy itself and not something for which officials were responsible. It also managed expectations. The doctor assumes change and decay. There was now no such thing as a perfect market order: sickness was always possible (implying, of course, that the system was healthy much of the time). In this increasingly uncertain world, the policymaker was licensed to make discretionary interventions and acquired the added role of offering “reassurance” to keep anxieties in check.

In the economic crises of the 2010s, and now most recently with COVID-19, problem solving is more than ever the name of the game. A doctor’s judgment lies in connecting case to known remedy, but this gets harder the more unfamiliar the disease. Today’s economic technocracy is about using all tools in the toolkit—in that sense we are witnessing the return of the engineer. Decision makers emphasise the need for ingenuity, discretion, and invention, from Mario [Draghi’s](#) “*whatever it takes* to preserve the euro” to [Lagarde’s](#) “everything necessary.” Eurozone policy rules are re-described as “[self-imposed limits](#),” revisable to preserve deeper goals of stability. Nobel Prize-winning economists ask us to think of their discipline as “[plumbing](#)”—engineering



at the sharp end where things can get messy. There is even a note of the theatrical in today's technocracy: like a good stage performer, Lagarde keeps suspense about measures to come, "because the impact will also be linked to the element of surprise."

If economic technocracy after COVID-19 continues to move in this direction, there are some reasons to be optimistic. After decades of an outlook based on general propositions about how markets supposedly function, a perspective more conscious of market failure—and sometimes the need to slow down the machine—sounds attractive. Whereas scientific expertise can be excessively specialized, here there is the promise of a more rounded perspective. Greater sensitivity to the particularities of implementation offers a vantage point from which to accept crosscutting claims to social justice. And when it is recognized that the system is only as good as the policies designed into it, accountability has a better foundation. While similar things might have been said a decade ago, the effects of COVID-19 may be more profound than those of 2008, occurring as they do against the backdrop of an existing crisis of Western capitalism.

But there are also notable grounds for caution. There is no reason to suppose crisis technocracy will serve left-wing, even Keynesian, objectives: a willingness to intervene in the face of shocks can serve any number of ends. Moreover, crisis management only blurs ever more the boundary between technocracy and politics. As personal discretion comes to the fore, the notion that technocrats are just enacting a set of delegated tasks becomes untenable—their power is more elastic. One might even question how much expertise is actually present. Scientific knowledge is anchored in replicable methods, but know-how is harder to objectify. More personalized and intuitive, invoked when things are already going wrong, it can be hard to distinguish from arbitrary rules. How do we know who has it? Should this authority not be contested?

When officials distance themselves from "the textbooks of the past," they redefine their expertise and embrace the flexibility sought in extreme conditions. Crisis decisions may be better for it. But as technocrats go down this path, one may question whether technocracy remains the right standard to apply.



‘Consultocracy’ and the not-so-new public management paradigm - Ken Grafton

Source: Canadian Dimension

URL:

<https://canadiandimension.com/articles/view/consultocracy-and-the-not-so-new-public-management-paradigm>

Published date: 09 July 2020

Is a shadow public service threatening democracy?

New Public Management (NPM) is a term first coined by Oxford University Professor Christopher Hood in a 1991 article entitled “[A Public Management for All Seasons?](#)” which described a then developing neoliberal paradigm in public administration focused upon smaller government, deregulation and profitability. It may be **defined** as a “series of beliefs and reforms that attempted to transform the public sector into an image of the private sector.”

In his article, Hood outlined seven key doctrinal components of NPM:

[H]ands-on professional management in the public sector; explicit standards and measures of performance; great emphasis on output controls; shift to disaggregation of units in the public sector; pivot to greater competition in the public sector; stress on private sector styles of management practice; and an emphasis on greater discipline and parsimony in resource use.

With the widespread proliferation of NPM policies across Western nations during the 1980s came massive deregulation, privatization of public assets, smaller government, tax reductions for the rich, and increased influence of business on government policy—implemented through political donations, lobbyists and management consultants.



Profitability became a foundational operating principle of governments, often subordinating public interest to the bottom line. Business concerns became the white elephant in any public policy debate room.

In this climate of government philosophy regeneration, a new model of public policy formulation emerged which relied heavily upon private sector expertise and opinion. By the 1990s, management and policy consultants became fundamental to government operation and policy making on a global scale.

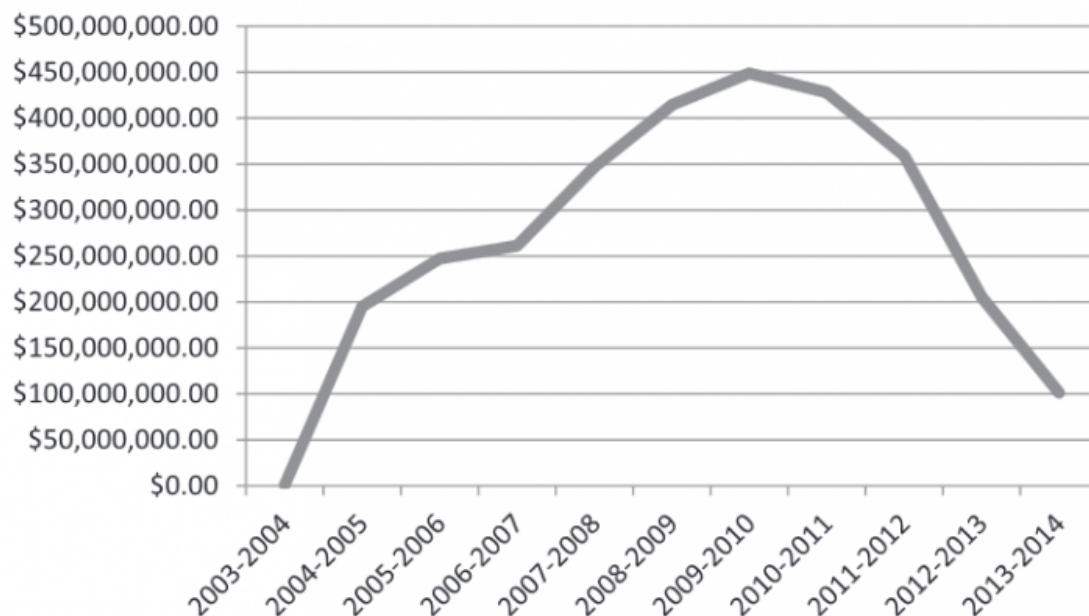
A 2013 [article](#) by Simon Fraser University professors Michael Howlett and Andrea Migone highlighted a growing problem:

The use of external policy consultants in government has been an increasing focus of concern among governments in the United States, the United Kingdom, Canada and Australia, among others. Concern has arisen over the costs incurred by governments in this area and over the possible rise of a 'consultocracy' with the corresponding diminishment of democratic practices and public direction of policy and administrative development that could entail. While increasingly concerned about the use of consultants, governments and outside scholars alike have found it very difficult to ascertain... its impact, and those attempting to get a handle on the subject—whether from within government or outside it—continue to face several critical data and methodological challenges in researching this subject.

In a [separate study](#), Howlett and Migone explore the public cost of management consultants using data from the Treasury Board of Canada Secretariat.



Figure 1. *Management Consulting Total Expenditures in the Federal Government, 2003–14, in Canadian Dollars*



Source: Canada, Treasury Board Secretariat (2013).

The figure shows rapid growth in expenditures in this category through to 2009–10 followed by a decline. However, reporting issues explain a large part of this apparent decline beginning with the 2010–11 fiscal year, as all of the data after 2011–12 solely reflect multi-year contracts extended into the future. Hence, in the key 2010–11 period the data show only a modest decline since 2006–11.

According to the study, only two departments—Public Works and Government Services Canada (PWGSC) and Human Resources and Skills Development Canada (HRSDC)—account for about half of all management consulting contract expenditures. According to the Professional Institute of the Public Service of Canada (PIPSC), between 2011 and 2018, the federal government spent over \$11.9 billion on management consultants, temporary help contractors and IT consultants “to do the work that could have been done by Canada’s own public service professionals.”

While the prevailing narrative of NPM justifies outsourcing in terms of cost savings, in “The Changing Role of Consultants in Canadian Policy Analysis” SFU professors



Anthony Perl and Donald J. White describe how the bottom-up downsizing of in-house government resources has actually resulted in increased transactional costs through the creation of an additional layer of supervision for external consultants:

An important implication of this research is that contracting out policy advice is not necessarily less expensive than directing resources to in-house policy capacity. Coupled with “an...over-generalised assumption that governments need now to look beyond the public service for both specialist expertise and advice on the most important issues,” there are indications that the Canadian government is devoting a growing share of its expenditure on goods and services to a more costly model of policy analysis.

The trends toward NPM has resulted in large taxpayer expenditures and increased costs, but what about its influence on policy development?

According to Howlett and Migone:

While it is not possible to conclude from expenditure data what qualitative impact this consulting activity has had on policy work and the nature of policy advice provided to Canadian governments, this pattern of expenditures is consistent with the idea ... that policy and management consultants indeed comprise a large group of policy actors with continuing influence and impact on Canadian government policy making.



An invisible, for-profit public service?

Deloitte LLC is a major player in management consulting globally. Their Government and Public Services component describes a proactive approach to policy making that seems to go uncomfortably beyond the passive advice giving of traditional consulting.

According to its website, “Deloitte Government & Public Services is committed to improving public outcomes through a focus on people. At Deloitte we think about the complex issues facing the public sector and develop relevant, timely, and sustainable solutions for our clients.”

Traditionally, we think of democracy as government by the elected. ‘Consultocracy’ is technocratic government—or control—by an unaccountable, profit-driven elite. Within this framework, the line between elected officials and outside consultants has blurred over time in the area of policy making.

According to Denis Saint-Martin in [*The New Managerialism and the Policy Influence of Consultants in Government*](#), the consultocracy has taken hold over the decades since the inception of NPM:

British and Canadian consultants have been involved ... in the construction of the state’s management capacities. Through their participation in these institution-building processes, they established networks of expertise with the state and acquired the experience of work in government. Over the years, this created opportunities for consultants to make their voices heard in the inner circles of decision-making and made possible the exercise of influence that they are now said to have on policy.

Conflict of interest issues can also come into play. For example, a policy consultant might draft airline industry policy for Transport Canada, while simultaneously representing airline operators in other matters.

While PWGSC does include a standard [conflict of interest clause](#) in all procurement contracts, this can be difficult to police, especially with large multinational consultants such as Deloitte, KPMG, Ernst & Young (E&Y) and PricewaterhouseCoopers (PwC) who have thousands of clients globally.



On June 4, Public Works and Government Services Canada (PWGSC) awarded a \$3 million services contract to Deloitte LLP of Ottawa for the provision of Task and Solutions Professional Services to Innovation, Science and Economic Development Canada (ISED), in connection with COVID-19 economic recovery planning.

The description of work includes, “The Contractor will also provide ongoing economic and financial analysis and advice with respect to the COVID-19 crisis, its impact on Canada’s economic sectors, and the restart of the Canadian economy in the National Capital Region (NCR) initiated through Task Authorizations.”

Canada’s economic future is now in the hands of a firm whose largest clients include Morgan Stanley, Berkshire Hathaway, The Blackstone Group, Microsoft, General Motors, Boeing, Monsanto and GlaxoSmithKline. The commercial interests of these large corporate clients may not necessarily align with public interests.

Capital Hill Group (CHG) is a Toronto-based government relations (lobbying) firm helmed by Conservative heavyweight David Angus (former Caucus Liaison to Prime Minister Brian Mulroney). For those tempted to downplay the influence of personal private-public-sector relationships, CHG is unequivocal:

We use our in-depth understanding of government processes, legislative procedure and political decision making to advise our clients on how to position and interact with Government stakeholders to achieve their objectives. The Government of Canada is one of the largest public buyers of goods and services in the country. It is estimated that the federal government spends approximately \$16 billion on procurement each year ... but the application process can be challenging. Our knowledge of the procurement system and close relationships with government officials at the federal, provincial, and municipal levels allow us to adeptly navigate these challenges.

Bill C-74, an omnibus bill signed in 2018 which contained the new Deferred Prosecution Agreement (DPA) law, was jokingly referred to on Parliament Hill as “The Lavalin Bill.” Major Liberal Party supporters SNC-Lavalin began lobbying the government in May of 2015 following charges of corruption by the RCMP, registering seventy meetings with federal officials and parliamentarians over the next three years. Some have claimed that



Lavalin's view of DPAs appeared explicitly in the wording of a crucial section on Remediation Agreements.

While lobbyists are paid to influence public policy in their favor, policy consultants are paid by the government to help craft policy. In either case, public policy is impacted by the private sector.

In a report titled "[The Real Cost of Outsourcing](#)," the PIPSC paints a grim picture:

Government outsourcing, especially outsourcing IT personnel, is costing Canadians billions of dollars each year. Government work, traditionally done by public servants, is increasingly being done by external consultants and contractors at a cost that should shock Canadians ... years of unchecked spending on outsourcing has created a shadow public service of consultants operating alongside the government workforce.

A half-century on, it may be time to give NPM a rethink.

A PUBLIC MANAGEMENT FOR ALL SEASONS?

CHRISTOPHER HOOD

This article discusses: the doctrinal content of the group of ideas known as 'new public management' (NPM); the intellectual provenance of those ideas; explanations for their apparent persuasiveness in the 1980s; and criticisms which have been made of the new doctrines. Particular attention is paid to the claim that NPM offers an all-purpose key to better provision of public services. This article argues that NPM has been most commonly criticized in terms of a claimed contradiction between 'equity' and 'efficiency' values, but that any critique which is to survive NPM's claim to 'infinite reprogrammability' must be couched in terms of possible conflicts between *administrative* values. The conclusion is that the ESRC's 'Management in Government' research initiative has been more valuable in helping to identify rather than to definitively answer, the key conceptual questions raised by NPM.

THE RISE OF NEW PUBLIC MANAGEMENT (NPM)

The rise of 'new public management' (hereafter NPM) over the past 15 years is one of the most striking international trends in public administration. Though the research reported in the other papers in this issue refers mainly to UK experience, NPM is emphatically not a uniquely British development. NPM's rise seems to be linked with four other administrative 'megatrends', namely:

- (i) attempts to *slow down or reverse government growth* in terms of overt public spending and staffing (Dunsire and Hood 1989);
- (ii) the shift toward *privatization and quasi-privatization* and away from core government institutions, with renewed emphasis on 'subsidiarity' in service provision (cf. Hood and Schuppert 1988; Dunleavy 1989).
- (iii) the development of *automation*, particularly in information technology, in the production and distribution of public services; and
- (iv) the development of a more *international* agenda, increasingly focused on general issues of public management, policy design, decision styles and inter-governmental cooperation, on top of the older tradition of individual country specialisms in public administration.

(These trends are discussed further in Hood 1990b).

NPM, like most administrative labels, is a loose term. Its usefulness lies in its convenience as a shorthand name for the set of broadly similar administrative doctrines which dominated the bureaucratic reform agenda in many of the OECD

Christopher Hood is Professor of Public Administration and Public Policy in the University of London.

group of countries from the late 1970s (see Aucoin 1990; Hood 1990b; Pollitt 1990).

Although ill-defined, NPM aroused strong and varied emotions among bureaucrats. At one extreme were those who held that NPM was the only way to correct for the irretrievable failures and even moral bankruptcy in the 'old' public management (cf. Keating 1989). At the other were those who dismissed much of the thrust of NPM as a gratuitous and philistine destruction of more than a century's work in developing a distinctive public service ethic and culture (cf. Martin 1988; Nethercote 1989b).

NPM's rise also sparked off debate as to how the movement was to be labelled, interpreted and explained. What exactly was the public management Emperor now wearing? Where did the design come from, and did its novelty lie mainly in presentation or in content? Why did it find favour? Was it an all-purpose and all-weather garment? This article attempts to discuss these questions, with particular attention to the last one.

WHAT THE EMPEROR WAS WEARING: THE DOCTRINES OF NPM

Different commentators and advocates of NPM have stressed different aspects of doctrine. But the seven overlapping precepts summarized in table 1 below appear in most discussions of NPM. Over the last decade, a 'typical' public sector policy delivery unit in the UK, Australia, New Zealand and many other OECD countries would be likely to have had some exposure to most of these doctrines. But not all of the seven elements were equally present in all cases; nor are they necessarily fully consistent, partly because they do not have a single intellectual provenance.

TABLE 1 Doctrinal components of new public management

No.	Doctrine	Meaning	Typical justification
1	<i>'Hands-on professional management' in the public sector</i>	Active, visible, discretionary control of organizations from named persons at the top, 'free to manage'	Accountability requires clear assignment of responsibility for action, not diffusion of power
2	<i>Explicit standards and measures of performance</i>	Definition of goals, targets, indicators of success, preferably expressed in quantitative terms, especially for professional services (cf. Day and Klein 1987; Carter 1989)	Accountability requires clear statement of goals; efficiency requires 'hard look' at objectives
3	<i>Greater emphasis on output controls</i>	Resource allocation and rewards linked to measured performance; breakup of centralized bureaucracy-wide personnel management	Need to stress <i>results</i> rather than <i>procedures</i>

Table 1 continued

No.	Doctrine	Meaning	Typical justification
4	Shift to disaggregation of units in the public sector	Break up of formerly 'monolithic' units, unbundling of U-form management systems into corporatized units around products, operating on decentralized 'one-line' budgets and dealing with one another on an 'arms-length' basis	Need to create 'manageable' units, separate <i>provision</i> and <i>production</i> interests, gain efficiency advantages of use of contract or franchise arrangements <i>inside</i> as well as outside the public sector
5	Shift to greater competition in public sector	Move to term contracts and public tendering procedures	<i>Rivalry</i> as the key to lower costs and better standards
6	Stress on private-sector styles of management practice	Move away from military-style 'public service ethic', greater flexibility in hiring and rewards; greater use of PR techniques	Need to use 'proven' private sector management tools in the public sector
7	Stress on greater discipline and parsimony in resource use	Cutting direct costs, raising labour discipline, resisting union demands, limiting 'compliance costs' to business	Need to check resource demands of public sector and 'do more with less'

WHERE THE DESIGN CAME FROM: NPM AS A MARRIAGE OF OPPOSITES

One way of interpreting NPM's origins is as a marriage of two different streams of ideas. One partner was the 'new institutional economics'. It was built on the now very familiar story of the post-World War II development of public choice, transactions cost theory and principal-agent theory – from the early work of Black (1958) and Arrow (1963) to Niskanen's (1971) landmark theory of bureaucracy and the spate of later work which built on it.

The new institutional economics movement helped to generate a set of administrative reform doctrines built on ideas of *contestability*, *user choice*, *transparency* and close concentration on *incentive structures*. Such doctrines were very different from traditional military-bureaucratic ideas of 'good administration', with their emphasis on orderly hierarchies and elimination of duplication or overlap (cf. Ostrom 1974).

The other partner in the 'marriage' was the latest of a set of successive waves of business-type 'managerialism' in the public sector, in the tradition of the international

scientific management movement (Merkle 1980; Hume 1981; Pollitt 1990). This movement helped to generate a set of administrative reform doctrines based on the ideas of 'professional management' expertise as *portable* (Martin 1983), *paramount* over technical expertise, requiring high *discretionary power* to achieve results ('free to manage') and *central* and *indispensable* to better organizational performance, through the development of appropriate cultures (Peters and Waterman 1982) and the active measurement and adjustment of organizational outputs.

Whether the partners in this union were fully compatible remains to be seen. 'Free to manage' is a rather different slogan from 'free to choose'. The two can conflict, particularly where the NPM revolution is led from above (as it was in the UK) rather than from below. The relative dominance of the two partners varied in different countries even within the 'Westminster model' tradition (cf. Hood 1990c). For example, in the unique circumstances of New Zealand, the synthesis of public choice, transactions cost theory and principal-agent theory was predominant, producing an analytically driven NPM movement of unusual coherence. But in the UK and Australia business-type managerialism was much more salient, producing a more pragmatic and less intellectually elegant strain of NPM or 'neo-Taylorism' (Pollitt 1990, p. 56). Potential frictions between these partners were not resolved by any single coherent or definitive exposition of the joint philosophy. Indeed, the New Zealand Treasury's *Government Management* (1987) comes closest to a coherent NPM 'manifesto', given that much of the academic literature on the subject either lacks full-scale elaboration or enthusiastic commitment to NPM.

WHY NPM FOUND FAVOUR: THE ACCEPTANCE FACTOR

There is no single accepted explanation or interpretation of why NPM coalesced and why it 'caught on' (cf. Hood 1990b; Hood and Jackson 1991 forthcoming, ch. 8). Many academic commentators associate it with the political rise of the 'New Right'. But that on its own does not explain why these particular doctrines found favour, nor why NPM was so strongly endorsed by Labour governments ostensibly opposed to the 'New Right', notably in Australia and New Zealand. Among the possible explanations are the following four.

First, for those who take a sceptical view of administrative reform as a series of evanescent fads and fashions, NPM's rise might be interpreted as a sudden and unpredictable product of 'loquocentric' success (Minogue 1986). (Spann (1981) offers a classic statement of the 'fashion' interpretation of administrative reform.) 'Cheap, superficial and popular', like the industrial 'rationalization' doctrines of the 1930s (Hannah 1976, p. 38, fn. p. 34), NPM had many of the necessary qualities for a period of pop management stardom. A 'whim of fashion' interpretation has some attractions, and can cope with the cycles and reversals that took place within NPM – for instance, the radical shift in the UK, from the 'Heseltine creed' of *Ministers* as the hands-on public managers to the 'Next Steps' corporatization creed of professional managers at the top, with ministers in a strictly 'hands-off' role (cf. also Sturgess 1989). But equally, the weakness of a simple 'whim of fashion' explanation is that it does not account for the relative *endurance* of many of the seven precepts identified in table 1 over more than a decade.

An equally sceptical explanation, but one which better accommodates the recurring or enduring features of many aspects of NPM, is the view of NPM as a 'cargo cult' phenomenon – the endless rebirth, in spite of repeated failures, of the idea that substantive success ('cargo') can be gained by the practice of particular kinds of (managerial) ritual. Downs and Larkey (1986) describe a recurring cycle of euphoria and disillusion in the promulgation of simplistic and stereotyped recipes for better public management in the USA, which shows striking similarities with the well-documented cargo cults of Melanesia (Lawrence 1964; Worsley 1968). However, this explanation cannot tell us why the NPM variant of the recurring public management 'cargo cult' appeared at the time that it did, rather than at any other.

A third, less sceptical, approach might be to view the rise of NPM through Hegelian spectacles and interpret it as an epoch-making attraction of opposites. The opposites in this case are two historically distinct approaches to public administration which are in a sense fused in NPM. One is the German tradition of state-led economic development (*Volkswirtschaft*) by professional public managers, with its roots in cameralism (Small 1909). The other is the Anglo-Saxon tradition of liberal economics, allied with a concern for matching self-interest with duty in administration, that has its roots in utilitarianism (Hume 1981). But, like the 'cargo cult' interpretation, the 'synthesis of opposites' interpretation on its own does not help us to understand why those two distinct public administration traditions should have united *at this particular time* rather than at any other.

A fourth and perhaps more promising interpretation of the emergence of NPM is as a response to a set of special social conditions developing in the long peace in the developed countries since World War II, and the unique period of economic growth which accompanied it (see Hood 1990b and 1991 forthcoming). Conditions which may have helped to precipitate NPM include:

- changes in income level and distribution serving to weaken the 'Tocqueville coalition' for government growth in the electorate, and laying the conditions for a new tax-conscious winning electoral coalition (Tocqueville 1946, p. 152; Peacock 1979; Meltzer and Richard 1981);
- changes in the socio-technical system associated with the development of the lead technologies of the late twentieth-century Kondratiev cycle ('post-industrialism', 'post-Fordism'), serving to remove the traditional barriers between 'public sector work' and 'private sector work' (cf. Bell 1973; Piore and Sabel 1984; Jessop 1988).
- A shift towards 'new machine politics', the advent of a new campaign technology geared towards making public policy by intensive opinion polling of key groups in the electorate, such that professional party strategists have greater clout in policy-making relative to the voice of experience from the bureaucracy (cf. Mills 1986; Hood 1990c, p. 206).
- a shift to a more white-collar, socially heterogeneous population less tolerant of 'statist' and uniform approaches in public policy (cf. Hood and Schuppert 1988, p. 250–2).

The fourth explanation is somewhat 'overdetermined', but it seems more promising than the other three in that it has the power to explain what none of the others can do, namely why NPM should have emerged in the particular time and place that it did and under a variety of different auspices.

AN ALL-PURPOSE GARMENT? NPM's CLAIM TO UNIVERSALITY

Like many previous administrative philosophies, NPM was presented as a framework of general applicability, a 'public management for all seasons'. The claim to universality was laid in two main ways.

Portability and diffusion. First, much the same set of received doctrines was advanced as the means to solve 'management ills' in many different contexts – different organizations, policy fields, levels of government, countries. From Denmark to New Zealand, from education to health care, from central to local government and quangos, from rich North to poor South, similar remedies were prescribed along the lines of the seven themes sketched out in table 1. Universalism was not complete in practice; for instance, NPM seems to have had much less impact on international bureaucracies than on national ones, and less on controlling departments than on front-line delivery units. Moreover, much was made of the need for local variation in management styles – so long as such variations did not challenge the basic framework of NPM (Pollitt 1990, pp. 55–6). For critics, however, much of the 'freedom to manage' under NPM was that brand of freedom in which whatever is not forbidden tends to be compulsory (Larsen 1980, p. 54); and the tendencies to uniformity and 'cloning' under FMI points to possible reasons for the decline of FMI and its supersession by the corporatization creed of 'Next Steps.'

Political neutrality. Second, NPM was claimed to be an 'apolitical' framework within which many different values could be pursued effectively. The claim was that different political priorities and circumstances could be accommodated by altering the 'settings' of the management system, without the need to rewrite the basic programme of NPM. That framework was not, according to NPM's advocates, a machine exclusively tunable to respond to the demands of the New Right or to any one political party or programme (see, for example, Scott Bushnell and Sallee 1990, p. 162; Treasury and Civil Service Committee 1990, pp. ix, 22, 61). In this respect, NPM followed the claims to universality of traditional Public Administration, which also purported to offer a neutral and all-purpose instrument for realizing whatever goals elected representatives might set (Ostrom 1974; Thomas 1978; Hood 1987).

COUNTER-CLAIMS: CRITICS OF NPM

If NPM has lacked a single definitive 'manifesto', the ideas of its critics are equally scattered among a variety of often ephemeral sources. Most of the criticisms of NPM have come in terms of four main counter-claims, none of which have been definitively tested, in spite of the ESRC's 'Management in Government' initiative.

The first is the assertion that NPM is like the Emperor's New Clothes in the well-known Hans Andersen story – all hype and no substance, and in that sense a true product of the style-conscious 1980s. From this viewpoint, the advent of new managerialism has changed little, apart from the language in which senior public 'managers' speak in public. Underneath, all the old problems and weaknesses remain. Implicitly, from this viewpoint, the remedy lies in giving NPM some real substance in order to move from 'smoke and mirrors' to reality – for example, in making output contracts between ministers and chief executives legally binding or in breaking up the public service employment structure, as has happened in New Zealand (cf. Hood and Jones in Treasury and Civil Service Committee 1989–90).

The second is the assertion that NPM has damaged the public service while being ineffective in its ability to deliver on its central claim to lower costs per (constant) unit of service. Critics of this type suggest that the main result of NPM in many cases has been an 'aggrandizement of management' (Martin 1983) and a rapid middle-level bureaucratization of new reporting systems (as in the remarkable growth of the 'performance indicator industry'). Budgetary and control framework changes such as 'top-slicing' and 'creative accounting' serve to destabilize the bureaucracy and to weaken or destroy elementary but essential competences at the front line (see, for instance, Nethercote 1989b, p. 17; Nethercote 1989c). From this viewpoint, the remedy lies in applying to the NPM *system* the disciplines that it urges upon service-delivery bureaucracies but so signally fails to impose on itself – particularly in strict resource control and the imposition of a battery of published and measurable performance indicators to determine the overall costs and benefits of the system.

The third common criticism is the assertion that NPM, in spite of its professed claims to promote the 'public good' (of cheaper and better public services for all), is actually a vehicle for *particularistic* advantage. The claim is that NPM is a self-serving movement designed to promote the career interests of an élite group of 'new managerialists' (top managers and officials in central controlling departments, management consultants and business schools) rather than the mass of public service customers or low-level staff (Dunleavy 1985; Yeatman 1987; Kelleher 1988; Pollitt 1990, pp. 134–7). Implicitly, the remedy suggested by these criticisms is to have disproportionate cutbacks on 'managerial' rather than on 'operational' staff (cf. Martin 1983), and measures to 'empower' consumers, for instance by new systems of direct democracy (cf. Pollitt 1990, pp. 183–4).

The fourth line of criticism, to which most attention will be paid in the remainder of this paper, is directed towards NPM's claim of *universality*. Contrary to NPM's claim to be a public management for all seasons, these critics argue that different administrative values have different implications for fundamental aspects of administrative design – implications which go beyond altering the 'settings' of the systems.

In order for their counter-claim to have any significance, it must be able to survive obvious objections. First, it must be able to show that the objection is more than a semantic quibble about where the line comes between a different programme

and a change of 'settings'. For that, it must be able to show that the incompatibility problem lies in NPM's 'hard core' research programme rather than in its 'elaborative belts' (Lakatos 1970). Second, it must be able to show that it is more than a trivial and obvious proposition. In order to survive this objection, it needs to show that there are different management-system implications of different *mainstream*, relatively orthodox values, without reference to values at the extremes of the orthodox belief spectrum (since it needs no elaborate treatise to show that different 'fundamentalist' values have different implications for public management). Third, the 'incompatibility' argument needs to rest on a plausible case that an 'all-purpose culture' either does not exist or cannot be engineered into existence. Unless it can do so, it risks being dismissed for mechanically assuming that there is a particular set of administrative design-characteristics which goes with the ability to achieve a particular set of values. Finally, it needs to show that the debate relates to *administrative* values – values that relate to conventional and relatively narrow ideas about 'good administration' rather than to broader ideas about the proper role of the state in society. Unless the critique of the 'all seasons' quality of NPM relates to administrative values in this sense, it risks being dismissed simply as an undercover way of advocating different *political values* from those currently held by elected governments. A case built on such a basis would not essentially be an administrative design argument, and would neither demonstrate that NPM is incapable of being adapted to promote alternative political values nor that NPM is a false recipe for achieving the narrow 'efficiency' values of the current orthodox agenda.

Most of the orthodox criticisms of NPM in this vein are vulnerable to counter-attack from this last objection. Most academic attacks on NPM have questioned NPM's universality by focusing on the equity costs of a preoccupation with cost-cutting and a focus on 'bottom line ethics' (Jackson 1989, p. 173). For instance, a focus on outputs allied with heavy 'hands-on' demands on managers is often claimed to downgrade equity considerations, particularly in its implications for the ability of female managers to reach top positions in the public service (cf. Bryson 1987; Pollitt 1990, pp. 141–2). A focus on disaggregation and a private-sector PR style is likewise often claimed to reduce the accessibility of public services by increasing the complexity and opacity of government (Nethercote 1990c), and increasing the scope for buck-passing and denial of responsibility, especially for disadvantaged consumers. However, any simple dichotomy between 'efficiency' and 'equity' can be countered by NPM's advocates on the grounds that 'efficiency' can be conceived in ways which do not fundamentally conflict with equity (cf. Wilenski 1986), and that equity values could perfectly well be programmed in to the target-setting and performance indication process, if there was strong enough political pressure to do so.

THREE CLUSTERS OF ADMINISTRATIVE VALUES

In administrative argument in the narrow sense, the rival values in play typically do not fall into a neat dichotomy. At least three different 'families' of values commonly appear in debates about administrative design, and these are summarized

in table 2 below (cf. Hood and Jackson 1991 forthcoming). Broadly, the 'sigma' family of values relates to *economy* and *parsimony*, the 'theta' family relates to *honesty* and *fairness*, and the 'lambda' family relates to *security* and *resilience*.

TABLE 2 Three sets of core values in public management

	<i>Sigma-type values</i>	<i>Theta-type values</i>	<i>Lambda-type values</i>
	KEEP IT LEAN AND PURPOSEFUL	KEEP IT HONEST AND FAIR	KEEP IT ROBUST AND RESILIENT
STANDARD OF SUCCESS	<i>Frugality</i> (matching of resources to tasks for given goals)	<i>Rectitude</i> (achievement of fairness, mutuality, the proper discharge of duties)	<i>Resilience</i> (achievement of reliability, adaptivity, robustness)
STANDARD OF FAILURE	<i>Waste</i> (muddle, confusion, inefficiency)	<i>Malversation</i> (unfairness, bias, abuse of office)	<i>Catastrophe</i> (risk, breakdown, collapse)
CURRENCY OF SUCCESS AND FAILURE	<i>Money and time</i> (resource costs of producers and consumers)	<i>Trust and entitlements</i> (consent, legitimacy, due process, political entitlements)	<i>Security and survival</i> (confidence, life and limb)
CONTROL EMPHASIS	<i>Output</i>	<i>Process</i>	<i>Input/Process</i>
SLACK	<i>Low</i>	<i>Medium</i>	<i>High</i>
GOALS	<i>Fixed/Single</i>	<i>Incompatible 'Double bind'</i>	<i>Emergent/Multiple</i>
INFORMATION	Costed, segmented (commercial assets)	Structured	Rich exchange, collective asset
COUPLING	<i>Tight</i>	<i>Medium</i>	<i>Loose</i>

The trio corresponds roughly to the management values used by Susan Strange (1988, pp. 1–6) in her account of the evolution of different regimes in the international sphere; and at least two of the three correspond to the groups of values given by Harmon and Mayer (1986, pp. 34–53) in their well-known account of the normative context of public sector organization. It cannot be claimed that these values are esoteric or extreme, or that they are not 'administrative' values.

Sigma-type values: match resources to defined tasks. In the 'sigma' family come administrative values connected with the matching of resources to narrowly defined tasks and circumstances in a competent and sparing fashion. Such values are central, mainstream and traditional in public management. From this viewpoint, frugality of resource use in relation to given goals is the criterion of success, while failure is counted in terms of instances of avoidable waste and incompetence. If sigma-type values are emphasized, the central concern is to 'trim fat' and avoid 'slack'.

Classic expressions of sigma-type values include:

- (i) 'just-in-time' inventory control systems (which avoid tying up resources in storing what is not currently needed, pushing the onus of accessible storage and rapid delivery on to suppliers);
- (ii) payment-by-results reward systems (which avoid paying for what is not being delivered); and
- (iii) administrative 'cost engineering' (using resources sparingly to provide public services of no greater cost, durability or quality than is absolutely necessary for a defined task, without excessive concern for 'externalities').

The principal 'coin' in which success or failure to realize sigma-type values is measured is time and money, in resource costs of consumers and producers.

It can be argued that an orthodox design for realizing sigma-type values would closely parallel the 'mechanistic' structures which have frequently been identified in contingency theory as applicable to defined and stable environmental conditions (cf. Burns and Stalker 1961; Lawrence and Lorsch 1967). Since the 'sigma' group of values stresses the matching of resources to defined objectives, the setting of fixed and 'checkable' goals must be central to any design for realizing such values. The fewer incompatible objectives are included, the more readily can unnecessary fat be identified and removed. Equally, the more that the control emphasis is on output rather than on process or input, the more unambiguous the waste-finding process can be. To make output control a reality, two features are necessary. One is a heavy emphasis on output databases. Such an emphasis in turn requires a technological infrastructure of reporting which will tend to make each managerial unit 'tightly coupled' in informational terms. The other is the sharp definition of responsibilities, involving separation of 'thinking' and 'executing' activities and the breakup of organizations into separate, non-overlapping parts, to come as close as possible to the ideal of single-objective, trackable and manageable units. It follows that information in such a control system will be highly segmented and valuable, so that it will be guarded with extreme care and traded rather than given away. These design characteristics map closely on to the recipes offered by the corporate management strain of NPM.

Theta-type values: honesty, fairness, mutuality. 'Theta-type' connotes values broadly relating to the pursuit of honesty, fairness and mutuality through the prevention of distortion, inequity, bias, and abuse of office. Such values are also central and traditional in public management, and they are institutionalized in appeal mechanisms, public reporting requirements, adversary bureaucracies,

independent scrutiny systems, attempts to socialize public servants in something more than 'bottom line ethics' or a high 'grovel count' (Self 1989). From this viewpoint, success is counted in terms of 'rectitude', the proper discharge of duties in procedural and substantive terms, while failure is measured in terms of 'malversation' in a formal or substantive sense. If theta-type values are placed at centre stage, the central concern is to ensure honesty, prevent 'capture' of public bodies by unrepresentative groups, and avoid all arbitrary proceedings.

Classic expressions of theta-type values include:

- (i) recall systems for removing public officials from office by popular vote;
- (ii) 'notice and comment' and 'hard look' requirements in administrative law (Birkinshaw, Harden and Lewis 1990, p. 260);
- (iii) independent anti-corruption investigatory bodies such as the 1987–9 Fitzgerald Inquiry which effectively brought down the Queensland government in 1989 (cf. Prasser, Wear and Nethercote 1990).

The 'coin' in which success or failure is measured according to theta-type values may be partly related to 'balance sheet' items (insofar as dishonesty and abuse of office is often linked with palpable waste of resources), but also involves less tangible stakes, notably public trust and confidence and the ability to exercise citizenship effectively.

Putting theta-type values at the centre of the stage has implications for organizational design which are different from an emphasis on 'sigma-type' values. Where honesty and fairness is a primary goal, the design-focus is likely to be on process-controls rather than output controls. Goals, too, are less likely to be single in nature. 'Getting the job done' in terms of aggregate quantities is likely to be supplemented by concerns about *how* the job is done (cf. March and Olsen 1989, pp. 47–52).

Hence 'double bind' elements (Hennestad 1990) may be central to goal setting, with line management under complex cross-pressures and with control operating through a shifting-balances style (Dunsire 1978). The cross pressures and 'double bind' process may operate through the activities of independent adversary bureaucracies, rather than with corporate objectives settled in a single place – for example, in the Hong Kong style of independent anti-corruption bodies. Similarly, concern with process may cause the emphasis to go on the achievement of maximum *transparency* in public operations – for example, extensive public reporting requirements, 'angels' advocates' (the practice of incorporating representatives of 'public interest' groups on corporate boards), freedom of information laws, 'notice and comment' procedures, rather than simple 'bottom line ethics'.

Indeed, the logical conclusion of putting theta-type values first in designing public management would be to minimize the ability of those in high office to sell or distort public decisions as a result of 'capture' by particular groups – for example, by the entrenchment of adversarial processes within the bureaucracy or by greater use of direct democracy in public decision-making (Walker 1986; Pollitt 1990, pp. 183–4).

Lambda-type values: reliability, robustness, adaptivity. Lambda-type' values relate to resilience, endurance, robustness, survival and adaptivity – the capacity to

withstand and learn from the blows of fate, to avoid 'competency traps' in adaptation processes (Levitt and March 1988; Liebowitz and Margolis 1990), to keep operating even in adverse 'worst case' conditions and to adapt rapidly in a crisis.

Expectations of security and reliability are central to traditional public administration values, and have often been associated with the choice of public rather than private organization for the provision of a hazard-related task. Perhaps the classic historical case is of the Venetian arsenal and *Tana* as instruments for ensuring the security of Venice's maritime power by direct state production of ropes and vessels (cf. Lane 1966).

From the viewpoint of lambda-type values, success is counted in terms of resilience and reliability, while failure is measured in terms of catastrophe, breakdown and learning failure. If lambda-type values are placed at centre stage, the central concern is to avoid system failure, 'down time', paralysis in the face of threat or challenge.

Classic expressions of lambda-type values include:

- (i) *redundancy*, the maintenance of back-up systems to duplicate normal capacity;
- (ii) *diversity*, the maintenance of quite separate, self-standing units (to avoid 'common mode failure', whether in technical terms or in terms of 'groupthink'); and
- (iii) *robustness*, use of greater amounts of materials than would ordinarily be necessary for the job (cf. Health and Safety Executive 1988, p. 11).

The 'coin' in which success or failure is measured in lambda-type values includes security, survival and the robustness of basic assumptions about social defence mechanisms.

Orthodox discussions of learning problems and catastrophes tend to focus on specific failings of individuals rather than systemic or structural factors in organizational design (Turner *et al.* 1989, p. 3). But some tentative pointers to the administrative design implications of putting lambda-type values at centre stage can be gleaned from three closely related literatures: 'contingency theory' ideas about structural factors related to highly uncertain environments (cf. Lawrence and Lorsch 1967); the literature on the organization of socially created disasters (Dixon 1976; Turner 1976 and 1978; Perrow 1984); and the developing and related literature on 'safety culture' (Westrum 1987; Turner *et al.* 1989).

Some of the ideas to be found in this literature about the engineering of adaptivity and error-avoidance are contradictory. A case in point is the debate about 'anticipation' versus 'resilience' (Wildavsky 1988). Moreover, Perrow (1984) claims that for some technologies, administrative design for error-avoidance is impossible, even if safety is highly valued. However, much of this literature tends to relate error-generation, capacity for resilience and learning failures to three elements of institutional structure

- (i) degree of *integration* – the extent to which interdependent parts of the system are linked in decision and information terms rather than isolated into separate compartments, each trying to insulate itself independently against system failure;

- (ii) degree of *openness* in the culture or management system, avoiding authoritarian barriers to lateral or systemic thinking and feedback or learning processes; and
- (iii) the extent to which there are systemic pressures for *misinformation*, rather than sharing of information, built in to the organizational process.

From the perspective of this literature, an organizational design which maximized lambda-type values would need to involve: multiple-objective rather than single-objective organization (van Gunsteren 1976, p. 61); a relatively high degree of 'slack' to provide spare capacity for learning or deployment in crisis; a control framework which focused on input or process rather than measured output in order to avoid building up pressures for misinformation; a personnel management structure which promoted cohesion without punishing unorthodox ideas; a task division structure organized for systemic thinking rather than narrow compartmentalization; and a responsibility structure which made mistakes and errors admissible. Relatively loose coupling and an emphasis on information as a collective asset within the organization would be features of such a design structure.

Compatibility. From this discussion, as summarized in table 2, one fundamental implication is that these three sets of mainstream administrative values overlap over some of their range, like intersecting circles in a Venn diagram. For example, dishonesty frequently creates waste and sometimes leads to catastrophe. Frugality, rectitude and resilience may all be satisfied by a particular set of institutional arrangements in some contexts.

However, the discussion also suggests the hypothesis that any two out of the three broad value sets may often be satisfied by the same organizing principle for a set of basic administrative design dimensions; but that it is hard to satisfy *all three* value sets equally for any of those dimensions, and probably impossible to do so for all of them. Put simply, a central concern with *honesty* and the avoidance of policy distortion in public administration may have different design implications from a central concern with *frugality*; and a central concern with *resilience* may also have different design implications. If NPM is a design for putting frugality at centre stage, it may at the limit be less capable of ensuring honesty and resilience in public administration.

IMPLICATIONS FOR NEW PUBLIC MANAGEMENT

The work of the ESRC's Management in Government Initiative has helped us to identify the specific forms that NPM took in the UK and to trace its history. But, like many research initiatives, it has perhaps been more successful in prompting the critical questions rather than in answering them definitively. Two key questions in particular seem to deserve more examination, in order to 'put NPM in its place' intellectually.

First, NPM can be understood as primarily an expression of sigma-type values. Its claims have lain mainly in the direction of cutting costs and doing more for less as a result of better-quality management and different structural design. Accordingly, one of the key tests of NPM's 'success' is whether and how it has

delivered on that claim, in addition to succeeding in terms of rhetorical acceptance. We still have remarkably little independent evidence on this point, and work by Dunsire *et al.* (1988) has some path-breaking qualities in that it is a serious attempt to develop indicators of organizational structure and control systems in a way that helps us to understand how privatization and corporatization works. It offers tentative evidence for the proposition that a shift in management structures towards decreased command-orientation and increased 'results-orientation' is associated with improvements in productivity. But the results obtained so far are only indicative: the study does not test fully for 'Hawthorne effects' or secular trends, and it has no control groups. We need much more work in this vein.

However, the critics' questioning of NPM's universality also offers a way of putting NPM in its place and involves crucial claims that need proper testing. Even if further research established that NPM was clearly associated with the pursuit of frugality, it remains to be fully investigated whether such successes are bought at the expense of guarantees of honesty and fair dealing and of security and resilience.

Broadly, NPM assumes a culture of public service honesty as given. Its recipes to some degree removed devices instituted to ensure honesty and neutrality in the public service in the past (fixed salaries, rules of procedure, permanence of tenure, restraints on the power of line management, clear lines of division between public and private sectors). The extent to which NPM is likely to induce corrosion in terms of such traditional values remains to be tested. The effects of NPM 'clones' diffused by public management 'consultocrats' and others into contexts where there is little 'capital base' of ingrained public service culture (as in many Third World countries and perhaps in Eastern Europe too) will be particularly interesting to observe. The consequences for 'theta-type' values are likely to be most visible, since the effects are likely to be quicker and more dramatic there than in countries like Australia and the UK which are still living off 'public service ethic' capital.¹

Equally, the extent to which NPM's precepts are compatible with 'safety engineering' in terms of 'safety cultures' deserves more analysis. NPM broadly assumes that public services can be divided into self-contained 'products', and that good public management requires de-emphasis of overarching externalities and emphasis on running services within given parameters. Whether the emphasis on cost-cutting, contracting-out, compartmentalizing and top-slicing is compatible with safety culture at the front line needs to be tested. The new breed of organizationally created disasters over the past fifteen years or so, of which some dramatic examples have occurred in the UK, suggest that the issue at least needs investigation.

Only when we can test the limits of NPM in terms of relatively narrow *administrative* values can we start to establish its proper scope and put it in its historical place.

NOTE

1. I owe this idea to a suggestion by Dr. John Baker of John Baker and Associates.

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ORIGINAL ARTICLE

Consultocracy and its discontents: A critical typology and a call for a research agenda

Matti Ylönen¹  | Hanna Kuusela²

¹University of Helsinki

²University of Tampere

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Ella ja Georg Ehrnroothin Säätiö; Koneen Säätiö

In the past few decades, many sector-specific case studies have been conducted on the use of consultants in the public sector. However, the overall picture of the qualitative changes facilitated by consultants remains fragmented, and a comprehensive framework on how “consultocracy” affects governance is lacking. This article shows how the increased use of consultants has impacted the operational logics of public administration and governance at large. Drawing from a large multisectoral case study from Finland as well as existing studies, a fourfold typology of how consultocracy shapes public administration is introduced. We argue that increased reliance on consultants contributes to the monopolization and privatization of public knowledge and ensuing dependencies, erosion of tacit knowledge, weakening of accountability, and strengthening of instrumental rationality. This research emphasizes the importance of understanding the links between these developments and the need to implement a comprehensive research agenda on consultocracy.

1 | INTRODUCTION

The growing use of consultants in the private and public sectors has drawn much scholarly interest in the past few decades. Reliance on consultants in government and public sector institutions has grown globally to such an extent that several scholars have pointed to the emergence of a phenomenon called *consultocracy*. The term was coined in the early 1990s by Hood and Jackson (1991), and it has since been defined as a process “whereby non-elected consultants are replacing political debate conducted by publicly accountable politicians” (Craig & Brooks, 2006).

Especially since the publication of the 1998 article, “The New Managerialism and the Policy Influence of Consultants in Government,” by Saint-Martin (1998a, 1998b), several studies have described how consultants shape politics and public administration practices. This increased scholarly

interest is hardly a surprise, given that in 2005, *The Economist* estimated that public sector consulting accounted for some 30% of the global consulting market (*The Economist*, 2005).

The growing interest in the use of consultants in the public sector has resulted in many sector-specific studies. However, the overall picture of the qualitative changes brought to public administration and democratic governance by increasing reliance on consultants remains fragmented. Our article addresses this problem with a critical typology for investigating the discontents and the qualitative impact of consultocracy on the public sector and administration in general.

Although certain challenges and problems associated with the use of consultants are widespread and cognizable across different fields, a systematic framework for analyzing the impact of these developments for public administration is lacking. Much of the previous critical debate on consultants and the public sector has focused on policy consultancies that offer advice about political decisions and policies (Boston, 1994; Eichbaum & Shaw, 2008; Greer, 1994; Gunter, Hall, & Mills, 2015; Martin, 1998; Pollitt, 2001; Pollitt & Bouckaert, 2011; Raudla, 2013; Saint-Martin, 1998a, 1998b). However, we argue that the impact of the increased use of consultants is not restricted to their influence on policies. Instead, it has had a significant qualitative impact on the ways in which public administration and governance are conducted in various fields, such as auditing, organizational restructuring, human resources, and information and communications technology (ICT). To capture these multiple qualitative effects of consultocracy, an expansion of the definition of consultocracy is needed from the policy-centered view advocated, for example, by Craig and Brooks (2006) and Saint-Martin (1998a, 1998b). Therefore, we define consultocracy as a phenomenon in which often short-term, outsourced expert knowledge production is increasingly replacing the long-term work of civil servants and even politicians. This results in an increased power of consultants over politics, public governance, and public sector practices.

It is important to distinguish consultocracy from other forms of public sector outsourcing. Whereas public sector outsourcings have a long history, the one characteristic feature of consultocracy is its close relationship to the different forms of expert-driven knowledge production that go deep into the heart of how societies are ruled and governed. In other words, the consultocratic forms of knowledge-production are related to fields that are essential to the proper functioning of the democratic forms of government practices.

The spread of such consultocracy can be explained by different factors. Scholars have found a number of diverse and context-specific rationales for governments to purchase policy advice and hire external knowledge providers (see, e.g., Dolowitz & Marsh, 2000; Gunter et al., 2015, p. 527; Lapsley & Oldfield, 2001; Momani, 2013; Reh fuss, 1989; Roodhooft & Van den Abbeele, 2006; Savas, 2000; Sturdy, 1997). However, as Raudla (2013) has noted, understanding the diverse realities of public sector consulting is not enough; attention must be paid to the potential recurring pitfalls in contracting expert knowledge and to analyze whether these problems outweigh the potential benefits. In this article, certain key areas where such risks and disadvantages may typically occur are identified. Drawing from a large grounded theory-oriented study on the use of consultants by Finnish government agencies as well as from the existing body of sectoral studies, a typology of the problematic impacts of consultocracy is proposed, with the aim of facilitating research on its qualitative effects for public administrations and democratic governance. In alignment with the tradition of grounded theory, the typology has, thus, been generated and inducted from a mixed-methods study, so that the theory building and the emerging typology have been grounded in the case study.

Specifically, this typology contributes to an understanding of how the emergence and growth of consultocracy shape democratic systems of governance and administration. The main impacts identified are the monopolization and privatization of knowledge, and the ensuing dependencies between public contractors and private service providers, the erosion of tacit knowledge within government agencies, the

weakening of accountability, and the strengthening of instrumental rationality. We argue that these four impacts constitute the main qualitatively problematic consequences of consultocracy.

Consequently, the government, the systems of democratic governance, and the public sector (more generally) are increasingly guided by private sector models and interests, rather than the parliamentary system, democratic consensus, and bureaucratic accountability. Political systems, which have in the past relied on bureaucratic forms of policy work as well as negotiations between different interest groups, are increasingly being replaced by a culture that facilitates rapid and radical reforms based on short-term goals, with models derived from the private sector and implemented by consultants. This new culture erodes the role of traditional government functions, while also potentially serving the political agendas of some actors.

2 | OVERVIEW OF THE EXISTING RESEARCH ON PUBLIC SECTOR CONSULTANTS

The existing critical research understands consultants broadly as contract-based actors who sell expert knowledge and influence organizations that hire them. For example, Gunter et al. (2015, p. 519) portrayed consultants as “external knowledge actors who trade knowledge, expertise and experience, and through consultancy as a relational transfer process they impact on structures, systems and organisational goals.” The global growth in the use of such consultants in the past decades, alongside the broader managerialist shift, has generated new research on the topic. Social scientists have examined the growth, role, and contribution of consultants and consultancy (see Armbrüster, 2006; Lapsley, Miller, & Pollock, 2013; Saint-Martin, 2004; Sturdy, Handley, Clark, & Fincham, 2009), and public management scholars have pointed to the increasing involvement of private consultants in the public sector and its reforms (see, e.g., Craig & Brooks, 2006; Fryson, 2009; Lapsley & Oldfield, 2001; Pollitt & Bouckaert, 2011).

Armbrüster (2006) has divided the existing research on consulting into functionalist and critical approaches. Although he focused on research on consultancy work in general, these categories provide a useful starting point for categorizing research on public sector consultants. According to Armbrüster, functionalistic research “presents useful lists or outlines of the economic role of consulting firms, but it lacks an analytical grounding” (p. 6), whereas critical studies either focus “on management fashions that clients supposedly fall for, which represents an oversocialized conception of the consulting market ... or [portray] consultants as opportunistic agents who exploit clients' lack of quality certainty” (see also Lapsley et al., 2013). Both approaches typically draw on sociological neoinstitutionalism, based on a “belief in the efficiency of particular practices or solutions, rather than any proven efficiency,” in determining or influencing economic action (Armbrüster, 2006, p. 7).

As the aim of this research is to understand how consultocracy shapes democratic governance, its approach is more closely aligned with critical than functionalistic literature. However, instead of focusing on the seemingly “opportunistic” practices or the methods of socialization in consulting fashions (see Armbrüster, 2006; Granovetter, 1985, p. 483), the focus is on how consultocracy affects the ways and mechanisms of democratic governance in contemporary society.

Thus far, most critical studies on the qualitative impact of the growing use of consultants in the public sector have focused either on sector-specific cases and perspectives, such as the use of consultants in nation branding, education, privatization, public broadcasting, deliberative democracy or deliberative technologies, and the distribution of management trends (Aronczyk, 2008; Beveridge, 2012; Gunter et al., 2015; Gunter & Mills, 2017; Hendriks & Carson, 2008; Kantola & Seeck, 2011; Moor, 2008; Schwak, 2016), or on specific problems connected to consultants, such as transaction

costs or the question of trust (e.g., Boston, 1994; Raudla, 2013). Other scholars have discussed democratic problems associated with the proliferation of government consultants (Hendriks & Carson, 2008; Saint-Martin, 1998a, 1998b). Further, recent contributions to the research on public sector consultants have included studying the cultural assemblages of consultancies (Prince, 2015), self-perceptions and ideational backgrounds of consultants (Momani, 2013), and analyses of consultants as “a new advocacy group” (Hodge & Bowman, 2006, p. 111). Pollitt (2007, p. 536) has emphasized the normalization of rapid, radical, and often incoherent change in public administration and increasing links to a “management reform community.” In this process, consultancy businesses have been identified as playing a large role in driving the reform efforts (Meek, 2011). The key concern discussed in these studies is whether consultocratic tendencies have reduced the openness, participation, and accountability of governance, so that consultocracy “parallel[s] a decline in democracy for the citizenry” (Hodge & Bowman, 2006, p. 110).

Despite this outpouring of sector-specific studies on consultants, broad-ranging, synthesizing analyses of the impact of consulting on public administration and democratic governance in general are hard to find. This article addresses this gap by offering a holistic view on the problematic impact and discontents of consultocracy in the form of a fourfold typology. The previously published sectoral studies, however, are highly useful for drafting such a critical typology, and in the following, this study draws on and further introduces relevant literature when discussing the proposed typology. Before proceeding in that direction, however, a cross-sectoral case study on Finland is introduced.

2.1 | Case Finland

The typology introduced in this article is grounded in a case study on the use of consultants in the Finnish public sector conducted in 2011–2013. The rapid growth in the use of consultants makes Finland a highly interesting case study for analyzing consultocracy and its effects. Given the past strength of the corporatist, government-driven development model and trilateral bargaining in Finland, the recent increase in consultocratic tendencies has been particularly pronounced. Finland is traditionally understood as a Nordic welfare state with a strong public sector. In line with several European countries, Finland, however, went through a series of major New Public Management reforms in the late 1980s and 1990s, which decentralized, restructured, and commercialized its public sector (Kananen, 2014, p. 140). Scholars have described this as a shift from a planned economy to a competition economy, or from a Nordic welfare state to a neoliberal competition state (Alasuutari, 2004; Heiskala & Luhtakallio, 2006; Kantola & Kananen, 2013; Moisio & Leppänen, 2007). The reforms also included the commercialization of government services; thus, many government agencies were gradually transformed into state enterprises and finally privately owned companies (Julkunen, 2001). This paved the way for the triumph of market-oriented logic, and finally to the increased use of consultants in the public sector.

After these reforms, the rise of public sector consultants has been as pronounced in Finland as in many other European countries. The use of contract-based expert services grew markedly in Finnish ministries between 1998 and 2016. The money spent on contract-based expert services increased by more than 80% from less than €0.4 billion a year to more than €0.7 billion a year during 1998–2009. Although the growth stabilized somewhat during and after the recession that followed the 2007–2009 global financial crisis, the annual purchases were still more than 50% higher in 2016 than they were in 1998.

These changes are illustrated in Figure 1, which depicts the inflation-corrected growth in the use of private consultants by Finnish ministries and the prime minister's office. The figure is not comprehensive, as the data is derived from a specific account for outsourced expert services in the

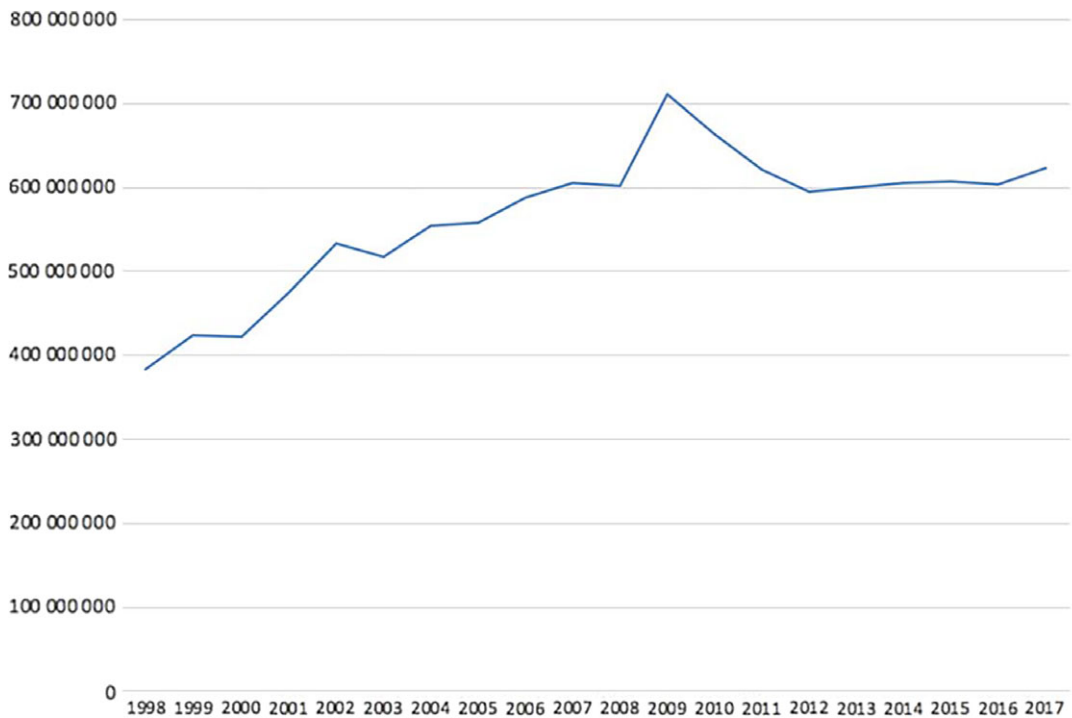


FIGURE 1 The use of outsourced expert services by Finnish ministries and the government, 1998–2017, € (adjusted for inflation using 2017 euros)

government's accounting system, and it may be possible that some procurement contracts have been booked in other accounts for various reasons. This caveat notwithstanding, this is the main account where these kinds of expenses are booked. In other words, the sums and the growth are substantial, even though these statistics do not include all work that Finnish government agencies have purchased from consultants.

The increase in the use of consultants has taken place simultaneously with the decrease in the number of employees employed by the Finnish government, reflecting a general “shift from appointed and salaried, to contracted and ‘billable’ knowledge actors” (Gunter et al., 2015, p. 518). Between 1990 and 2016, the number of Finland's government employees declined from 195,800 to 72,984, removing more than 120,000 employees from the government's payroll (Kuusela & Ylönen, 2013; State Treasury, 2016).

Organizational changes explain part of the decrease. Most notably, in the early 1990s, municipalities gained a number of new responsibilities from the government, which contributed to an increase of 45,000–56,000 employees in the municipal sector between 1990 and 2010 (Kuusela & Ylönen, 2013). Several government institutions were also transformed into publicly owned companies. Moreover, in 2009, the legal status of universities changed from public to private entities, removing almost 30,000 employees from the government's payroll (even if universities are still almost entirely funded by the government). However, a New Public Management policy program started in 2003 also aimed at reducing the number of government employees, to bring economic efficiency by reducing the work performed by government employees. Much of the expert work was consequently replaced with consultants (National Audit Office of Finland, 2010). Between 2006 and 2010, the government's payroll expenses decreased by €216 million, while the purchases of outsourced services increased by more than €500 million (National Audit Office of Finland, 2010).

This rapid shift that has resulted in increased reliance on contract-based consultant services is also visible in the government's use of ICT services. While ICT has been understood primarily as a technical field, it has become an important factor in determining the infrastructure of many critical governance, public administration, and democratic processes. Reflecting the wider consultocratic tendencies, the government has gradually diminished its role in the ICT sector and increasingly contracted services at the expense of the government's own employees. In 2015, of the government's overall ICT expenses of €848.3 million, €610.4 consisted of outsourced procurements (Ministry of Finance, 2016).

3 | RESEARCH SETTING

This research on the use of consultants in the Finnish public sector was based on the grounded theory approach. This means that the theoretical observations and the typology presented in this article have been generated and inducted from the empirical data on the Finnish case, by discovering emerging patterns in creating and identifying new analytical categories (Walsh et al., 2015), such as the elements of the typology. The study drew particularly on research that combines case study research and grounded theory, so that the emerging theory building is grounded in a specific case study (Eisenhardt, 1989; Fernandez & Lehmann, 2011; Taber, 2000). This means that the analytic codes and categories in this research were constructed from the data, not from preconceived logically deduced hypotheses.

More precisely, a mixed-methods approach was employed that combined extensive archival and statistical material with interviews. The main data sets collected in 2011–2012 were: (a) financial accounts on transactions between government institutions and consultants, (b) contracts and procurement documents between public contractors and consultants, and (c) 52 semistructured, in-depth interviews with consultants, civil servants, politicians, and other relevant parties.

We began by requesting detailed, transaction-level accounts from all ministries on expert services procured in 1998–2011. These accounts included all individual transactions that the ministries had invoiced from the aforementioned account number dedicated for procured expert services. Typically, the information included the date, the sum, the name of the service provider, and a very short explanatory text about the nature of the transaction.

These accounts were then screened to find recurrent patterns and suitable case studies for further analysis. Following the principles of grounded theory, theory development was advanced during each step of data collection and the identification of specific cases on which to focus. Thus, the data collection was also guided by the emerging analytical categories. After the initial screening, several recurrent patterns were noticed. Among these patterns were repeated transactions involving a single provider and the same government institution, which were just below the public procurement threshold for direct purchasing with a competitive tender process (these were typically slightly over €29,000, as the main threshold was €30,000 during the years covered). Efforts were also made to find purchases that had particular policy relevance, in addition to case studies that would mirror the recurring and most relevant types of consultant services used by the government. The relevance was specified in and during the constant process of theory building.

After this, the procurement documents (where available) and contract agreements related to the selected cases were requested. These documents not only included contracts for policy briefings or new governance initiatives, but also policy evaluations, which are important because of their potential role in shaping future policies. Moreover, it was acknowledged that many policy-related options are today “locked in” by seemingly technical decisions related to organizational and ICT structures. To

understand this area, consulting contracts related to workplace coaching and remuneration systems were also researched. Finally, these strands of research were complemented by interviews with a wide variety of relevant actors, ranging from consultants to parliamentarians, researchers, and influential current and past civil servants. The archival data were collected simultaneously with the construction of the emerging analytical categories, and the selection of interviewees was conducted in tandem with the analytical work and theory building. In other words, the interviewees had knowledge of the chosen cases or the patterns that were identified as recurrent.

The interviewees were selected iteratively, and new interview requests were sent based on what the researchers learned while reviewing the textual material and the first interviews. The interviewees held different institutional positions. An approximate breakdown of the interviewees is as follows: 19 civil servants, 14 politicians or political party employees, 13 consultants, 3 researchers, 2 employees from public sector trade unions, and 1 journalist. Some interviewees held several institutional positions; for example, some worked as consultants while holding a position in a city council, which is why the breakdown is only approximate. Of all the interviews, 46 were face-to-face, while 8 were telephone interviews. All interviews were recorded and lasted between 26 and 111 minutes, with a typical interview lasting about an hour. In line with the grounded theory approach, the interview questions drew on the insights both from the preceding interviews as well as from our other research, with the interview guide evolving over time. In most of the interviews, we sought both new information about the decisions to hire consultants in various agencies and the reasons behind these outsourcing decisions. Our interviews with consultants and the civil servants who contracted them also aimed at gaining an understanding of the personal and organizational motivation of these actors within the broader context of consultocracy. The interview guide thus included questions on the opinions the interviewees had on the use of consultants, as well as on the practices they had encountered while contracting or interacting with consultants, or alternatively, when acting as consultants.

The data were analyzed according to the basic principles of grounded theory so that the analysis focused on emerging patterns in creating and identifying analytical categories that interpret, rather than simply label, instances of consultocracy or its qualitative impact on public administration (Chermaz, 2005). These analytical categories that emerged in the analysis of the empirical data were then compared with the existing research literature (Glaser, 1992, p. 33) to create a more comprehensive typology of the problematic impacts of consultocracy and a research agenda. Thus, the typology presented in this article is built on the categories that emerged in the analysis and developed further with the help of the existing research. As the article focuses on the pitfalls and discontents of consultocracy, it gives specific weight to patterns that were seen as problematic by the interviewees or found troublesome in our analysis of the documents. It needs to be emphasized that interviewees (particularly the consultants that were interviewed) held also positive views on the growing use of consultants, but these self-proclaimed justifications of the practice are not the object of this article.

Altogether, this research material enabled the researchers to conduct a unique, comprehensive study on consultocracy in Finland, facilitated by the relatively nonhierarchical structure of Finnish society (e.g., it is relatively easy to arrange interviews with parliamentarians) and the Finnish Act on the Openness of Government Activities (Ministry of Justice, 2015). The results highlighted some of the issues discovered in previous studies, but also enabled proposing a more thorough typology of consultocracy than previous studies. Thus, following the traditions of grounded theory, the case study was aimed toward theory construction, rather than representativeness.

3.1 | The typology of consultocracy's problematic impact on public administration

Although a number of analyses of the policy consequences of consultocracy in management studies and related disciplines exist, the overall picture of the qualitative impact of consultocracy on public administration has remained fragmented. To address this gap, an overview of the key risks of consultocracy is provided. As noted in the Introduction, the key feature that differentiates the problematic impacts of consultocratic outsourcing from other outsourcing of services is the importance of these services to the proper functioning of democracy and the government.

Besides facilitating future research, this overview helps to understand some of the key differences between public and private sector consulting. The types of effects covered here are monopolization and privatization of knowledge and ensuing dependencies, erosion of tacit knowledge, weakening of accountability, and strengthening of instrumental rationality.

Perhaps slightly unexpected, the results were similar in consultancy contracts and companies regardless of the size or market position of the consultancy firm. This is particularly interesting given that the existing scholarship on management consultancies has emphasized the benefits brought by large size or market dominance (e.g., Kipping, 1999). While market dominance can certainly be a defining factor in some respects, this case study calls for more nuanced analyses on this topic.

3.2 | Monopolization and privatization of knowledge and ensuing dependencies

As private providers of knowledge and expert services, consultants have brought fundamental changes to the ways in which public administrations handle information and knowledge. When contracting out expert services, publicly owned and available information (or information that could, in principle, be publicly owned) is transformed into a private commodity. Therefore, information that is frequently used by public administrations (such as computer programs, algorithms, benchmarking data, and indicators) becomes an asset for private consulting firms. This ownership may result in information advantages for consultants that may lead to various dependencies and rent-seeking behavior by consultants.

This phenomenon has been discussed most notably within the new institutional economics and management literature, both of which have explored the economic problems associated with the “contractualization” of governance and policy making, and the problems associated with the use of competitive tendering for providing government services. Specifically, various scholars have shown how difficult it is to define the cost, quality, and quantity parameters of outsourced services for complex products (Bajari & Tadelis, 2001; Boston, 1994; Brown, Potoski, & Van Slyke, 2006; Dixit, 1996; Donahue, 2009; Raudla, 2013). It is challenging to specify procurement criteria and establish unambiguous exchange terms. Consequently, as Raudla (2013) has noted, such incomplete contracts and information asymmetries may cause various problems, including risks of opportunism by suppliers. Similarly, Boston (1994, p. 21) emphasized how advisers can exploit their quasi-monopoly position and informational advantages. This can happen, for example, by failing to produce advice of the desired standard, by providing selective or distorted information, by charging excessive prices, or by advocating policies deliberately designed to increase the demand for the consultants' services.

This research revealed numerous instances where consultants used and benefited from their information advantages to achieve a quasi-monopoly. One case was related to the Ministry of Finance's use of a remuneration consultant in an environment where a single company dominates more than half of the market (Kostiander, 2011). The Ministry of Finance also used this consultancy when it attempted to streamline its remuneration practices. During the 7 years (2004–2010) investigated, yearly purchases from this single company increased from €750 to €219,174. Ultimately, the ministry

even ended up advertising the company's services on its website. One particular year, the ministry paid the consultants a total of €140,000 without issuing a procurement tender. This was possible because the ministry signed several separate contracts with the same company for the same project, with individual payments remaining under the €30,000 threshold. This kind of “chaining” of contracts was common in the accounts we studied. The law prohibits this practice, but it was evident in all ministries whose transaction-level accounts were investigated. This highlighted the ability of private sector consultants to establish long-term relationships with the ministries, and the failure of the legislation governing public procurement to prevent these dependencies.

Although illustrative, the steadily growing dependence between the remuneration consultancy and the Ministry of Finance was only one example of the monopolization tendencies and dependencies generated by the government's increasing reliance on consultants. Several interviewees described attempts to avoid issuing time- and resource-consuming procurement tenders and confirmed the allure of the practice. “Even though the guidelines prohibit issuing contracts for €29,900, it is extremely tempting to resort to the practice in order to save two months of work [that the tender process may have required],” stated an interviewee (Interview, 2012f). A director at the Ministry of Finance also confirmed this practice in our interview: “It is indeed common to see a procurement contract where the price has been set at €29,900” (Interview, 2012a). The practice was also confirmed by a consultant who explained how sometimes chaining smaller contracts starts innocuously: “Quite often, consultants enter an organization with a modest project proposal. After this, the process continues with a series of new contracts” (Interview, 2012c).

Another interviewee from academia recalled how (s)he “issued a call for proposals for an organizational development project while expecting that the project would take just a few days. I received a proposal from a consultant who had come up with a month-long project that cost €29,000” (Interview, 2012f). This echoes the paradox described by Gunter et al. (2015, p. 529), according to whom consultants are usually hired to solve a specific problem, “but capitalism requires the production of problems the client did not realise it had” (see also Béland & Howlett, 2016). As exchange relationships and claims between service providers and contractors are asymmetrical and are not fixed, governments can be powerful and powerless at the same time in their procurement work (Gunter et al., 2015, p. 534).

Over time, the exploitation of quasi-monopoly positions can erode the organization's ability to perform the outsourced task in-house. According to Boston (1994, p. 8), government departments and agencies that contract out policy analysis face the risk of “losing their specialist, in-house advisory capacity,” turning them into mere “contract managers and processors of the policy advice supplied by contractors.” The evolution of the ICT service provision within the Finnish government illustrates this phenomenon, as the diminishing role of in-house services has led to a situation in which the government has increasingly become a contract manager that spends the majority of its ICT budget on outsourced services. The majority of the government's ICT work is essentially already in the hands of private service providers (Ministry of Finance, 2016).

3.3 | Erosion of tacit knowledge

The growing dependency on consultants can also have a long-lasting and profound impact on the structures of knowledge within public sector organizations. Many studies have focused on how consultocracy contributes to the erosion of tacit knowledge, and the deeper the dependencies and monopolization tendencies become, the higher the risks. As one example of these studies, Powell (1990, p. 324) noted how tacit knowledge “exist[s] in the minds of talented people whose expertise cannot be easily purchased or appropriated and who commonly prefer to ply their trade in a work

setting that is not imposed on them ‘from above’ or dictated to them by an outside authority.” In a somewhat similar fashion, Sennett (2006) argued that the overall precarization and the growing reliance on consultants have hindered attempts to transfer knowledge within organizations from one person to another. The old bureaucratic virtues erode as informal trust and information lose their organizational structures and channels.

The interviews conducted with consultants and civil servants emphasized these concerns. One particularly striking case involved a consultant who had worked for several years for the Ministry of Finance under contracts that lacked even basic details on the nature of the consultancy work. The consultant, who had worked the entire period as a contracted expert for the ministry, stated in the interview: “I had the advantage of having a long and extensive history in working with the ministry, and there were several occasions where I knew the ministry better than its section managers” (Interview, 2012b). A director in the ministry confirmed this situation:

When I joined the ministry, my predecessor had left the organization a long time ago. Effectively, this consultant had the best understanding of the organization, of my duties, and of the key issues in our sub-departments. Having several processes ongoing in the ministry, this consultant was essentially the person that had the best overall picture of things. (Interview, 2012a)

Reflecting such tendencies, Robin Fincham (1999, p. 336) concluded that “consultants are seen as a group that has gained insidious power, unaccountable and unseen, and all the more mysterious because managers seem to remain addicted despite the disastrous failures associated with some consultancy assignments.” This can also create a situation where the officials may lack the capacity to evaluate and audit the quality of external knowledge services, which, in turn, can again increase the risks of opportunism by contractors (Boston, 1994; Freeman & Minow, 2009; Savas, 2000).

This seemed to be the case in the Finnish Ministry of Finance that was highly dependent on one consultant for years, as the manager considered him the only person who had the tacit knowledge needed to run some of the key functions of the organization. Finally, after years of dependency, the new director managed to end this relationship; as the manager became more familiar with the tasks, the consultant “no longer had any expertise that I myself did not have,” the manager explained (Interview, 2012a). However, before this happened, the dependency had lasted for years and even this transition was guided by the consultant, as he was the person who introduced the ministry to the new director.

Much of the erosion of tacit knowledge results from practical reasons, such as cost-cutting programs that generate pressure to cut permanent work hours. In some cases, this development can be unintentional; high budgetary pressures and precarization of public sector work undermine tacit knowledge, and even more so when they result in a growing reliance on consultants. Younger employees in ministries, in particular, encounter an environment where work contracts are sometimes signed only for very short periods. The situation is even worse when growing reliance on consultants coincides with a development where important ministry tasks are performed by trainees who rotate every few months.

However, the loss of tacit knowledge can also be advanced as a hidden or explicit political agenda. In this case study, major organizational overhauls were often motivated by the desire to destruct existing organizational structures. Constant change was desirable precisely because it helped to shatter old ways of working.

Often, this agenda was promoted tacitly, but the major bibles of management consultancy are sometimes surprisingly straightforward about the need for Machiavellian tactics. One such guidebook

is the *Blue Ocean Strategy*, which became popular in the early 2000s and is still used in many public and private organizations alike, and which this study found was used by some public sector organizations in Finland.

This handbook stipulates that “organizational politics is an inescapable reality of corporate and public life,” and “even if an organization has reached the tipping point of execution, there “exist powerful vested interests that will resist the impending changes” (Kim & Mauborgne, 2005, pp. 165–166). The more likely any change becomes, “the more fiercely and vocally these negative influencers – both internal and external – will fight to protect their positions” (Kim & Mauborgne, 2005, p. 166). To overcome these obstacles, the *Blue Ocean Strategy* argues, a leader needs to leverage like-minded “angels,” silence obstructive “devils,” and appoint a consigliere who “is a politically adept but highly respected insider who knows in advance all the landmines, including who will fight you and who will support you” (Kim & Mauborgne, 2005, p. 166).

A series of reports and statements published by the government-owned think tank Sitra, the Finnish Innovation Fund, are an example of the latter tendency. A report published by Sitra researchers with renowned management scholar Yves Doz noted how policy makers should “improve their societies’ strategic agility” by gearing their funding for research, media, communication, and cultural policies to actors who question established paradigms and shake up the status quo (Hämäläinen, Kosonen, & Doz, 2011, p. 15). Another consultancy report commissioned by Sitra went even further and called for “revolutionary development paths” that promote societal uncertainty and collective stress,” which overcome “societal rigidities,” of which one example is the Finnish welfare society (Wiio, 2006, p. 65).

In other words, the erosion of tacit knowledge can be a cause and a consequence of consultocracy. It paves the way for consultants to more easily enter the increasingly shallow public sector organizations in the future.

3.4 | Weakening of accountability

One of the most fundamental consequences of consultocracy for public administration is also difficult to measure: weakened accountability. According to the traditional conception of politics, civil servants are accountable to the government, the government is accountable to the parliament, and the parliament is accountable to the people. The growing role of consultants distorts this idealized conception of accountability in ways that go beyond the larger role of expertise and technocracy in politics. As Saint-Martin (2004, p. 20) noted, “the idea of an emerging ‘consultocracy’ suggests that consultants have become powerful because, when implemented, the new managerialist model that they advocate tends to remove public administration from politics and thus, from public scrutiny.”

The weakening of accountability takes place at least in two ways. First, when *either* politicians or civil servants contract expert services from consultants, at least part of the responsibility for the results is outsourced to the consultants. Depending on the motives and capabilities of the contracting party, this can either mean a “blank check” for the consultants to pursue whatever solution they find is best, or an end result that is closely aligned with the interests of the commissioning party—or something in between. Thus, as Gunter et al. (2015, p. 534) noted, justifying consultancy requires an interplay between the public office and those who are elected or appointed to such position; thus, the role of public sector consultants is stronger the closer they serve the knowledge needs of those who hold positions of political power. However, part of the accountability disappears along the way; the contracting party can blame the consultants for any unwanted results or omissions to their superiors or other interested parties, whereas the only thing at stake for the consultant is his or her reputation.

Considering that most consultancy agreements will not end up being discussed in public, even this threat is often negligible.

Second, contracts between the private sector and consultants are typically negotiated under private law, which differs from the work conducted by civil servants who operate under public law. Depending on the legal system, private law often places severe limits on the public availability of relevant documents, as well as on the applicability of the legal dispute mechanisms. For example, in Finland, the Act on the Openness of Government Activities stipulates that all documents produced by public organizations are by default public and are publicly available. However, documents related to outsourcing (including the contracts) are routinely classified to protect commercial secrets. Thus, as if automatically, using consultants decreases the level of transparency and, consequently, the accountability of the public administration.

In one particular case, a consultant had specialized in conducting large-scale, public sector organizational restructurings. Having become kind of a celebrity in Finnish organizational development circles in the late 1990s after publishing a hands-on guidebook on how Finnish municipalities can utilize balanced scorecard reporting, this consultant emerged as a central figure in Finnish public sector restructurings in the 2000s. Among the restructurings guided by this consultant were the merger of the National Research and Development Centre for Welfare and Health STAKES and the National Public Health Institute, the merger of the Ministry of Labor and the Ministry of Trade and Commerce, and the creation of the University of Arts Helsinki from three smaller universities. Although this one consultant was involved in almost all major mergers in the Finnish public sector in the early 2000s, he was never publicly elected or accountable to any democratic decision-making body. Rather, his central role was based on his unofficial reputation. According to one interviewee who had expertise in the municipal sector, the work this consultant did on balanced scorecard reporting inspired “many municipalities to contract them [i.e. this consultant and his colleague] to build this reporting system” (Interview, 2012d), and the later work on organizational restructurings resulted in similar path dependencies.

Accordingly, Raudla (2013) noted that mutual trust is an important asset in policy advice and public sector consultancy, implying ongoing long-term relationships, which nurture mutual understanding. Within public administration, such long-term relationships between a public contractor and the consultant are also problematic, creating monopolistic tendencies and violating the ethos of public administration that should treat all providers equally. Moreover, these relationships are likely to obscure the mechanisms of accountability, creating a shadow elite (Wedel, 2009) or a group of decision makers who are not under democratic control. As Hood and Jackson (1991, p. 24) observed, the emergence of a consultocracy has led to a situation “whereby elite and influential networks of consultants have been able to obtain a dominant position within public institutions,” but the democratic legitimacy concerns about the involvement of such contract-based (management) consultants in public sector reforms have not been adequately studied (see also Raudla, 2013, p. 612).

3.5 | Strengthening of instrumental rationality

Finally, the shift to consultocracy and managerialism (Barzelay, 2001) has been underpinned by the pursuit of greater efficiency and a belief that consultants provide knowledge that the public sector cannot produce. Informed by the rationalism of public choice theory, the move to managerialism and the increased use of consultants have emerged alongside political discourses about the inefficiency and ineffectiveness of politicians and bureaucrats, and alongside the more general shift to neoliberalism and New Public Management from the 1970s onward (Hay, 2007, p. 95).

Consultants often emphasize the need to strengthen evidence-based policy making and their own role in providing such evidence, which has been associated with the rise of evidence-based policy making (Wiseman, 2010). One consultant interviewee noted that his work focused on efficiency rather than values: “A sort of efficiency perspective is pretty much a built-in characteristic of consultants, and for a consultant, it is difficult to see it as politics” (Interview, 2011). He saw that as a consultant his role was to provide facts for decision makers: “The work I have done means delivering fact-based and analytical [thinking]. Those things that can be converted into euros should be converted into euros, so that we can then afterwards make value-based decisions” (Interview, 2011).

Thus, the rise of consultocracy urges us to ask to what extent “the increased emphasis on the role of evidence in policymaking is indicative of ‘technocratic politics’ underpinned by an instrumental rationality which erodes the normative basis of policymaking and undermines the capacity for ‘appropriate’ practice” (Sanderson, 2002, p. 61). Therefore, the quest for greater efficiency and evidence-based policy making tend to contribute to a broader cultural shift in the public sector, namely, to strengthening instrumental rationality. Governments that are directed by instrumental rationality are primarily “concerned with consistency between available means and pursued objectives” (Walliser, 1989, p. 7) with solutions that “work” (Sanderson, 2002), rather than with political values, ideologies, or the normative basis of a decision (see also Gunter & Mills, 2017). Thus, there is a danger that consultants offer “technocratic solutions to political problems,” neglecting the democratic aspects of politics, the role of civil society, and the civil sphere (Kantola & Seeck, 2011).

Consultocracy and its effects discussed in this article may strengthen instrumental rationality in several ways. Consultancy projects typically aim to fulfill a particular task, and there is often neither a need nor a possibility to question the underlying assumptions and definitions. There are often strong incentives to produce an end result that is closely aligned with the interests of the commissioning party and for which the consultant need only find suitable facts. Consequently, the reports seldom offer the kind of referencing style and literature reviews that would be required from academic articles. This helps produce large numbers of reports that arrive at relatively straightforward conclusions, often coupled with some solid-looking quantitative estimates and policy recommendations.

These tendencies often result in a lack of political discussion about the goals and the normative basis of the final decision. Although the consultant quoted above noted that value-based decisions are kept separate from the consultants' work and are usually made after the consultant has provided facts, it is unclear whether these types of processes allow for any value-based and normative discussion.

If the outcomes follow the logic of instrumental rationality, it may be difficult or impossible to introduce other types of rationalities or viewpoints in the process subsequently. For example, if the consultant focuses on the efficiency of the organization, instead of the possible social and human consequences of a reform, then the decision makers lack the knowledge needed for value rationality. When economic aspects have become the key criterion for analyzing and formulating public policy and when the vocabulary of markets, revenues, productivity, and efficiency (which is favored by consultants) has become ubiquitous, this poses a risk that the public administration becomes unable to think in terms of substantive rationality and to talk in the language of citizenship and community (Nabatchi, 2009). Thus, the advice given by private consulting firms can fall short in the quality and specificities needed for the *public* sector (Raudla, 2013, p. 610). Craig and Brooks (2006), for example, argued that public services are more complex than the managerial techniques private sector consultants can handle or have knowledge of.

The normalization of this kind of production of information can have far-reaching consequences for public debate and decision making. As politicians, civil servants, and journalists become increasingly accustomed to the ethos of consultancy reports, social scientific information may start to seem

increasingly confusing or even useless when compared with straightforward reports. Such problems of consultocracy have been discussed under the neologism “deliverology,” a term coined by Michael Barber, one of New Labor's policy advisors (Barber, Moffit, & Kihn, 2011). It refers to the consultocracy's role in producing policy knowledge in a timely manner for the government that allows it to achieve small wins during the electoral cycle. Such a narrow electoral cycle supported by consultocratic tendencies militates against the type of careful and thorough policy making required to tackle structural issues. Finally, the increased use of consultants can also have an effect on public discussions and deliberative democracy, as Hendriks and Carson (2008) have noted. Their list of the unfortunate effects that the growing use of consultants may have on the facilitation of deliberation include fostering elitism, homogenizing public deliberation, reducing the meaning and practice of public deliberation, and potentially depoliticizing public deliberation.

Much of the criticism discussed here is familiar from the general debates concerning bureaucracy. Some of the antibureaucracy discourses of the past decades have relied heavily on criticism of instrumental rationality (see Du Gay, 2000). However, as argued in this article, there are crucial differences between bureaucracy and consultocracy as the guiding principles or hegemonic ideas of public administration. Although both are open to similar criticism concerning instrumental rationality, what consultocracy and consultants lack are accountability and the moral institution of bureaucracy. Unlike civil servants, a consultant's instrumental rationality is not guided by a bureaucratic morality and objectives (such as fairness, justice, and equality in the treatment of citizens) but by economic profit seeking. When the bureaucratic instrumentality is stripped off the bureaucratic morality, what is left is instrumentality without a cause and accountability.

4 | CONCLUSIONS

Governments and public agencies may sometimes have legitimate reasons to use private sector consultants to provide competence and expertise that cannot be produced in-house. However, in addition to the economic calculations and transaction costs analyses, research should pay much more critical attention to the qualitative challenges and problems that regularly emerge when expertise and knowledge production are contracted out to a private sector service provider. To facilitate such research that could assess whether the problems of the rise of consultocracy outweigh its potential benefits (Raudla, 2013), a fourfold typology of how the mechanisms of consultocracy qualitatively affect democratic governance and public administration has been provided. This article focused on non-financial effects, since research literature on transaction costs in the public sector exists. The following provides forward-looking conclusions from these discussions and ideas for turning these conclusions into a more comprehensive research and policy agenda. Finally, some methodological issues and ideas are discussed.

The first emphasis is on the current approaches for assessing the efficiency and sensibility of using policy consultants in the public sector, which have paid insufficient attention to the four major effects that consultocracy has on democracies: the monopolization and privatization of knowledge that lead to growing dependency on consultants, the erosion of tacit knowledge, the weakening of accountability, and the strengthening of instrumental rationality. The studies published thus far have provided useful building blocks for greater sensibility to these tendencies, but a comprehensive set of tools to examine these issues has been lacking.

The present findings also emphasize the absence of alternative frameworks for governing, accounting, and measuring the work conducted in the public sector, which would take into account the particularities of the public sector and its ethos. The measuring frameworks, indices, and other

administrative tools are the bread and butter of public sector consultancies. As long as these frameworks are more or less directly adopted from frameworks developed for the private sector, there is little hope of overcoming the problems associated with consultocracy. However, should public sector agencies or management scholars develop better alternatives that depart from the characteristics of democracy and public ethos, commissioning such solutions from consultants would be less needed.

It is not easy to fix these problems. Many management bibles are backed by massive marketing machineries, unlike academic scholarship. In addition, considering that the background assumptions behind many consultant-driven guidelines would not stand up to academic scrutiny, combining higher academic standards with practical usefulness can be difficult. However, to create truly critical management scholarship, these kinds of new guidelines are needed.

This provides a transition for methodological considerations. Research is needed that is aimed at understanding the entire policy process from high-level political guidance to the actual work practices of consultants in the public sector. The following questions are important: What motivates politicians and civil servants to hire consultants instead of permanent staff to perform a task? What added value do consultants actually bring to different processes? How are questions related to accountability, continuity, and monopolies taken into account when contracting out? What kind of tools, models, and methods do consultants use to arrive at their conclusions? How could they be reinvented so that they would take into account the typology of consultocracy that was presented in this article? How could the public sector itself “internalize” some of the good things sometimes associated with consultants (providing alternatives, agility, and greater interaction) without losing its ethos? How does the instrumental rationality of consultocracy shape the long-term development trajectories in the public sector?

Methodologically, answering such questions requires mixed-methods approaches that: (a) generate and utilize quantitative data on the scale of the phenomenon in a given government, sector, or agency; (b) provide an in-depth understanding of the bureaucratic or marketized mechanisms that enable and facilitate the use of consultants; (c) aim at understanding the motives and needs of the commissioning agencies to hire consultants; (d) focus on the methods and results of consultants' work practices, while aiming to identify gaps, omissions, and untold background assumptions behind them; and (e) aim to create better alternatives to these methods. Further information on the scale of the phenomenon can be obtained from qualitative research (Finér & Ylönen, 2017) of the financial accounts of consultancy companies.

Naturally, no single study can address all these questions. Moreover, the extent to which these questions can be asked depends on many national variables from the scope of the freedom of information legislation to the level of access that researchers have to interview senior-level civil servants and politicians.

However, in an ideal research environment, all these questions could be addressed through a series of interviews, statistical research, deep reading of consultancy contracts, and thorough analyses of the methodologies and frameworks that consultants utilize in their work.

ORCID

Matti Ylönen  <http://orcid.org/0000-0003-0024-0867>

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Consultancies in public administration

Leonard Seabrooke^{1,2}  | Ole Jacob Sending² 

¹Department of Organization, Copenhagen Business School, Frederiksberg, Denmark

²Norwegian Institute of International Affairs, Oslo, Norway

Correspondence

Leonard Seabrooke, Department of Organization, Copenhagen Business School, Frederiksberg, Denmark.
Email: lse.ioa@cbs.dk

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Abstract

Public administrations increasingly rely on consultancies to acquire policy knowledge, assess stakeholder dynamics, and evaluate governance systems. In this symposium, we explore the drivers and effects of this trend. Consultants offer advisory services, articulate governance trends, provide technical and programming expertise, as well as evaluation functions. Historically consultancies were introduced to public administrations to prevent market dominance and to respond to demands for specialized professional services. This relationship morphed into an expanded global market for a wide range of consultancy services that national and international administrations purchase. We explore how consultancies and public administrations interact through a discussion of task-setting based on recognition of: (i) what party can make claims to support a public *ethos*, (ii) what forms of *expertise* are most relevant for solving the problem, and (iii) *status* in who can best tackle uncertainties.

1 | INTRODUCTION

The task of governing through public administration belongs to governments and the organizations to which they have delegated authority. In recent decades, national and international public administrations have taken on more advice from consultancies in how their core tasks are defined and implemented. This includes not only specialist and technical fixes for operational issues, but also counsel on what stakeholders and constituencies are relevant, as well as frameworks for policy articulation and evaluation.

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There is a long history that views the role of consultancies in public administration with a strong dose of skepticism. A little over 70 years ago, Morton Grodzins complained that what is being provided to public administration “is undoubtedly window dressing, sold as service by ‘consultants’, accepted as a mark of enlightenment by administrators, and verging in some cases on quackery” (Grodzins, 1951, p. 88). What is new, however, is a significant trend over the past two decades to increasingly use consultants in many administrations. Consultants are important diffusers of norms, policy frames, and professional practices across national and international public administrations (Armbrüster, 2006). They are involved in encoding practices on how work is done, as well as concepts and frames through which dissimilar entities can be viewed as facing similar problems (Hurl, 2017). Their clients include national and international public administrations, as well as firms, professional associations, and non-governmental organizations (Saint-Martin, 2004). The intensified relationship between consultancies and public administrations has led to important differences in how consultancies engage with types of political administrative cultures. This symposium asks: what mediates relations between consultancies and public administrations? We suggest that interactions between consultancies and public administrations center around recognizing who should be allocated what tasks. This recognition for task-setting focuses on a public *ethos* (who can serve the public interest?), *expertise* (who has appropriate knowledge?), and *status* (who can best mitigate uncertainties?). There is a great deal of variation in how consultancies and national and international public administrations recognize each other on ethos, expertise, and status. Exploring this variation is valuable, because we should not assume that consultancies automatically bring harm to public service. Rather, we should assess the relations that consultancies establish with public administrations, and the specific effects that this may produce.

Consultancies range in size and scale, from boutique freelancers, to specialized partners, up to the prominent Global Professional Service Firms (GPSFs), like Deloitte, Boston Consulting Group, and others (see Boussebaa & Faulconbridge, 2019). When we think of consultancies most gravitate to the agents that fit with a classic conception of management consultancy: highly paid agents who advise the contracting party on how to improve their organization's efficiency and performance (Du Gay & Vikkelsø, 2016, pp. 82–84). This “process” or “change management” aspect is only one function provided by consultancies to public administrations. Studies of how governments use consultants show that information technology (IT), human resources, project management, and accounting are dominant types of services provided (Howlett & Migone, 2014, p. 195). For Germany and Japan, IT is 30% of the consultancy market, while 20% in the UK and 10% in France (Sturdy & O'Mahoney, 2018, p. 550). In general, the scale of consultancy use speaks to their function, with small consultancies often fixing specific problems, mid-size consultancies modifying a policy setting for particular constituencies, and large consultancies inducing paradigm changes “from old-style regulation to self-regulation” (van den Berg et al., 2019, p. 8).

This old-to-new dynamic is noted in the extensive literature in public administration scholarship on New Public Management (NPM). A key feature of this research has been the reform of bureaucratic organizations through the entry of market-like mechanisms (Diefenbach, 2009; Hood, 1995; Hood & Peters, 2004). The trend toward the greater use of consultancies in public administration has been most prominent in governments that were early to embrace NPM ideas and practices, particularly in the Anglophone, Benelux, and Nordic countries (Diefenbach, 2009; Legrand, 2015; Saint-Martin, 2004; van den Berg et al., 2019). For example, van den Berg and co-authors note that spending on consultants was 2.68 times higher in Australia when comparing 1988 with 2016, and 3.5 times higher in Sweden if one compares 2003 and 2011 (van den Berg et al., 2019, pp. 96, 188). Löfgren and co-authors report that in a New Zealand public agency the number of consultants per government employee increased from 7 for each 100 in 2009 to 50 for each 100 in 2019 (Löfgren et al., 2022, p. 74). In these countries, there has been a positive association between the administrative aims of efficiency and efficacy with the notion that parties engaging in private competition have a grasp of current best practices.¹ In other words, high market status signals a capacity to access unique knowledge to solve problems.

Management consultants have been important in reforming core sectors, such as in health, education, employment, security, and environmental issues, especially in the introduction of reforms to these sectors (Hood & Peters, 2004, p. 274; Laage-Thomsen, 2022 and Sturdy et al., 2022 in this symposium). Many international public

administrations have also made a positive association between NPM administrative reforms and the use of consultancies. The intergovernmental organizations that are best regarded by governments, such as the World Bank, tend to lean on consultants for policy and programming expertise (Seabrooke & Sending, 2020). Pressures on international public administrations to conform to stakeholder demands have also expanded the use of consultancies, especially within the United Nations system (Stone & Ladi, 2015; Badache, 2020; see Broome, 2022 in this symposium). Many transnational governance initiatives also rely on consultancies to direct how policies are implemented (Seabrooke, 2015; Kentikelenis & Seabrooke, 2021; see also the contributions from Tsingou, 2022 and Willers, 2022 in this symposium).

For many national and international public administrations, consultants act as “change agents,” or the “third hand,” in transforming what policy should achieve, how work is conducted, and how management is articulated (Christensen, 2005; Lapsley & Oldfield, 2001). The normalization of consultants in public administrations has heightened concerns over the domination of public governance functions by private agents. Many have noted the rise of what Hood and Jackson (1991) call a “consultocracy” where power is exercised by consultancies in an opaque and anti-democratic fashion (see also Gunter et al., 2015; Hodge & Bowman, 2006; Saint-Martin, 2004). The consequence of this consultocracy is that “short-term, outsourced expert knowledge production is increasingly replacing the long-term work of civil servants and even politicians” (Ylönen & Kuusela, 2018, p. 242). From this view, the increased use of consultants diminishes public agencies’ planning capacity (Kirkpatrick et al., 2019; Sam & Scherer, 2006).

A further concern here is that while consultants are recognized as “external” advisers, their enlarged role has been accompanied by increased partisan “politicization” in some policy advisory systems (Craft & Howlett, 2013). Consultants can also be instrumental political actors representing particular interest constituencies (Bloomfield & Danieli, 1995; Hodge & Bowman, 2006; Sturdy, 2018). Their influence does not only favor certain interests within countries but also accentuates power asymmetries on a global scale in how knowledge is managed and policy devised and implemented (Boussebaa et al., 2012).

The contributions to this symposium investigate different types of relations between consultancies and public administrations through a series of national and international cases. The articles have different answers to the question of what mediates relations between consultancies and public administrations. Common to these answers are dynamics related to the recognition of ethos, expertise, and status in how tasks are allocated between parties in contracted work. There are some common themes here. The first is the persistent worry that consultancies may affect the ethos of civil service (Maesschalck, 2004). The second is concerned with how expertise is valued, and how the co-production of policies and programs affirms particular forms of expertise (Sending, 2015). The third relates to how engagement between consultancies and public administrations involves status signals linked to who can best overcome uncertainties (Podolny, 2010). After providing some historical context for the contemporary relationship between consultancies and public administrations, the remainder of this article discusses how interactions between consultancies and public administrations can be seen through task-setting around ethos, expertise, and status. We conclude by outlining key points from the contributions to this symposium.

2 | THE EMERGENCE OF THE CONSULTANCY MARKET FOR PUBLIC ADMINISTRATION

The logic that sits underneath the market for consultancy to public administration is straightforward: when the benefits of acquiring external knowledge outweigh the costs of producing it internally it makes sense to consult. In some cases, this may be due to the budgetary and hiring constraints of public bureaucracies, where consultants emerge as a solution in performing specific tasks without incurring the costs of hiring permanent civil servants. Here consultants operate as “fire-fighting” agents for public administrations (Craft & Howlett, 2013). In other cases, consultants replicate work done by internal bureaucrats and occupy a “liminal” space (Czarniawska & Mazza, 2003; Sturdy et al., 2006); a space conditioned by the “permanence of temporary services” (Howlett & Migone, 2013).

The emergence of the consultancy market and profession is intimately associated with the role of public administration. McKenna (2006, pp. 17–20, 50) documents how in the U.S. consultancy as a profession was tied to engineers and accountants from the 1880s onwards. These groups were given a significant market boost in the 1930s from public administration demands for a system of third-party checks in finance to ensure there was probity and accountability. Booz Allen & Hamilton and McKinsey & Company both directly benefited from these changes. From the 1950s, Arthur Andersen grew on the back of demands from public administration for antitrust services, especially to prevent IBM from dominating computing systems (McKenna, 2006, pp. 20–23, on RAND see Knafo et al., 2019). In short, the demand for consultancy from public administration came initially from the need to protect against oligopoly in private markets. It is with no little irony that a strong element of the “consultocracy” argument noted above is the presence of oligopoly among management consultancy firms in what kinds of knowledge they provide to public administrations.

We should not be surprised that consultants learned how to organize ongoing demand for their services. Scholarship in the sociology of professions tells us that a priority of professional groups—both in the public and private sector—is to maintain “jurisdictional” control over who can work on what tasks within national and transnational environments (Abbott, 1988; Harrington & Seabrooke, 2020). This includes the expansion of markets into new territories. Already in the early 1970s, McKinsey & Co. made greater revenues outside the U.S. than within it (McKenna, 2006, pp. 248–9). The rise of U.S.-style consultancy in Europe and throughout the OECD occurred through the spread of “scientific management” ideas, including to public administrations (Boussard, 2009; Kipping, 1996). These ideas have been affirmed by what some scholars call “corporate professionalization” (Muzio et al., 2011) or “commercialized professionalism” (Furusten, 2013). Such ideas are also affirmed in transgovernmental policy networks that share a common identity, like the “Anglosphere” (Legrand, 2016).

There has been extraordinary growth of consultancy services to public administrations over the last few decades. Sturdy and O'Mahoney (2018, p. 539) provide an indicator of consulting revenues in 2015, with the United States leading (47.6%), followed by Europe (29.6%), Asia-Pacific (13.7%), Central and South America (4.8%), Middle East (2.4%), and Africa (1.9%). An estimate of the global size of the management consulting market puts it at \$977 billion in 2018.² The global staff numbers for the Big Four GPSFs—Deloitte, Ernst and Young, KPMG, and PriceWaterhouseCoopers—are somewhere around 692,000+ to 880,000+ professionals (Faulconbridge & Muzio, 2017, p. 221; Murphy et al., 2019). Global consultancy firms like AT Kearney, McKinsey, Boston Consulting Group, and Booz Allen Hamilton are estimated to employ 200,000+ professionals (Faulconbridge & Muzio, 2017, p. 221). For global turnover, the Big Four estimate is \$29.7 billion for 2016, with consultancy-oriented firms like BDO and Grant Thornton bringing in \$7.6 billion and \$4.8 billion, respectively, in the same year (Murphy et al., 2019). The scale and size of the global consultancy market engaging public administrations is maintained through a market in which consultancies and public administrations recognize that the other is useful in establishing what tasks can be performed. This task-setting centers around the recognition of ethos, expertise, and status.

3 | TASKS, RELATIONS, AND RECOGNITION

To think through what mediates relations between consultancies and public administrations, we suggest that there is a micro-to-macro relationship based on common focal points. At a micro-level, relationships between particular consultants and public administrators involve working with symmetric aims based on a common understanding, working asymmetrically where one party gets more than the other, or working anti-symmetrically toward different aims (Martin, 2009, p. 21). As interactions between consultancies and public administration are normalized, those involved have common focal points to provide short-cuts to action, generalizing relations from relationships (Christensen et al., 2022; Martin, 2011). We suggest that for interactions between consultancies and public administrations, these focal points are mainly concerned with task-setting around recognition of ethos, expertise, and status. Task-setting includes how issues and problems are classified and reasoned, including how those involved diagnose, draw

inference, and develop treatments for the issue at hand (Abbott, 1988, pp. 39–40). Such task-setting occurs in both national and transnational settings (Seabrooke & Henriksen, 2017).

The process of task-setting is not simply one of determining how to define a problem and act on it, but one where the relations between the actors involved become defined in terms of defining what who has “jurisdiction” over it and thus also a level of authority to decide (Abbott, 1988; Abbott, 2005). This process depends crucially on who is recognized by others as having a claim to control a particular task. Such recognition is not solely linked to expertise or competence, nor to official mandates.

Figure 1 illustrates our conceptualization of this process, highlighting how task-setting is determined by the configuration of ethos, expertise, and status: a consultancy may be recognized as an expert with high status in the market in relation to a particular task, but the resulting substantive control of a task may conflict with the public ethos. Conversely, a consultancy may reflect the dominant ethos associated with a task, and also be recognized as having expertise, but may not be recognized as having a status concomitant with control of the task.

It is important to note that recognition is explicitly relational: you are only seen to fit with the public ethos, holding the right expertise, or having sufficient status if others recognize as such (Sending, 2017). This also means that asymmetries are bound to shape patterns of recognition. While symmetrical aims between the consultant and the public administration are optimal for a good working relationship, we may also see asymmetry where recognition is not reciprocated and creates a form of domination (Martin, 2009). Non-recognition or anti-symmetry is also possible but this, obviously, does not lead to collaborative efforts. The articles in this symposium show variation in interactions around task-setting.

In sum, interactions between consultancies and public administrations center around how status, expertise, and ethos are recognized within the relationship. When aggregated, such recognition becomes an important source of claims to authority, as well as normalized relations that enable governance tools (Broome & Seabrooke, 2021). In general, we can see that consultancies' claims to best practice and access to unique knowledge are recognized by public administrations as a status attribute linked to their market position and global reach (e.g. Jones, 2019; Momani, 2013). Recognition of expertise is not only tied to the analytical and technical demands of the task but also to perceptions of command over abstract knowledge and capacity from cross-organizational experience. There is strong endogeneity between these task-setting foci, as what is seen as a basis for ethos, expertise, and status may change over time. For example, interactions over what task-setting will be recognized as in the public ethos may be

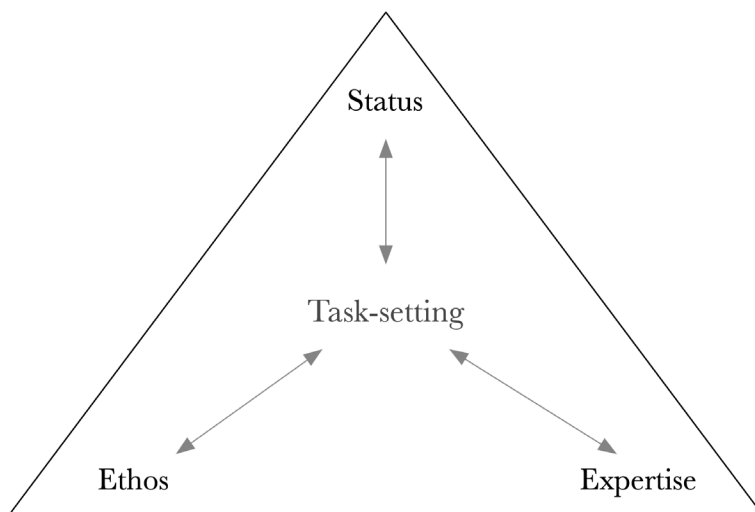


FIGURE 1 Task-setting in consultancy-public administration relations

tied to issues of reputation and status, so that public ethos may be gradually transformed when recognized expertise and status is repeatedly mobilized in a particular direction. Aware of this endogeneity, we provide further details on what is being recognized when consultancies and public administrations interact over task-setting.

3.1 | Ethos

Recognition of who has the right to work in the public interest is a key dynamic in the relationship between consultancies and public administration. Consultants have self-consciously carried business techniques into the agencies of public administration since the 1940s (McKenna, 2006), and since then there has been controversy over whether their activities support or undermine the public ethos. As discussed above, this has been a key contemporary theme in the literature, sparking the term “consultocracy” (most recently Ylönen & Kuusela, 2018). A key thread in this research is the notion that not only are the outcomes of consultancies' engagement with public administration inefficient (Kirkpatrick et al., 2019), but that consultants diminish skill development and the ethos of public servants (Cleave et al., 2019; Theletsane, 2015). A recent interview with Malcolm Turnbull, Australian Prime Minister and pro-business Liberal Party leader for 2015–2018, provides some grounds for alarm:

One of the big challenges we got in government is that the public service is being deskilled. It's worse in some departments than others. But the consultants, who obviously make a fortune, are really doing—frankly—quite a bit of *damage to the culture of the public service*... those people with those skills and those interests should actually be in the public service. You should be using consultants to do things that are a little bit exotic, where you need specialist expertise.³

The fear here is that public servants are compromised in their relationship with consultancies, and that lucrative careers can dissuade those who hear a “government calling” toward public vocation (Vandenabeele, 2008). Turnbull's reference to the culture of the public service follows the classic Weberian separation of bureaucratic agencies (public sector) and enterprises (private sector) by the assignment of official duties, the authority to give commands, and selection of those qualified to execute them (Weber, 1978, p. 956). Those in public service must carry an ethos of public interest. This professional ethos includes valuing “legality, neutrality, equity, and loyalty” (Galwa & Vogel, 2021, p. 4). Research on organizational values among public sector and private sector organizations has shown, at least in the Dutch case, that while both public and private organizations regard accountability, expertise, reliability, effectiveness, and efficacy as shared core values, only the public sector is concerned with “publicness” (Van der Wal et al., 2008).

The broader concern is that permanent close relationships between consultancies and public administrations foster a form of “neo-Weberian” bureaucracy in which the public ethos is challenged (Byrkjeflot et al., 2018). A lack of political accountability is commiserated as a consequence of the “incessant expansion of this gray area at the heart of our democracies,” where the public and private are blurred (Vauchez & France, 2020, p. 154). Normalization of this form makes consultancy integral to public management with fewer levels of hierarchy, a logic of market discipline, and the use of project planning and cross-functional teams for implementation (Sturdy et al., 2015, p. 6). In such a system, there is mutual recognition—symmetry—between consultancies and public administrations over who can work on tasks in the public interest. Consultants can be allocated tasks and carry a strong public ethos based on the provision of efficient and effective work in the public interest. Whether the public can change this interaction toward an alternative conception of the public ethos is a different matter.

Another way of considering recognition between consultancies and public administrations on ethos is to question what public values *should* be embraced in task-setting. In contrast to Weberian bureaucracies concerned with efficiency, or NPM bureaucracies concerned with efficiency and efficacy, the “new public service” and “public value governance” literature contends that public values should be determined by the public. From this view,

bureaucracies should not operate like private firms, as encouraged by NPM, but should be open to democratic input, with business and civil society actors recognized as “active public problem solvers” (Bryson et al., 2014). In this conception, government is the guardian of public values and those values are informed by civic virtues of duty and responsibility. This includes deliberation so that public administrations are “serving, not steering,” thus creating public value (Denhardt & Denhardt, 2015). Similarly, research on “co-production” stresses that while NPM had a view of public services akin to manufactured goods, enhanced co-production for public services should include user input (Chauhan et al., 2022; Osborne & Strokosch, 2013). To assist this, bureaucrats should be “entrepreneurial” in finding ways to help citizens be more participatory, even if this highlights tensions over what their roles are and what public ethos is being supported (Lopdrup-Hjorth & Roelsgaard Obling, 2019). Consultants may help facilitate more citizen participation in policy, and in some countries, like Australia, there is a well-developed consultancy market for deliberative democracy where consultants act as impartial process managers (Hendriks & Carson, 2008).

In general, consultancy-public administration relations, be they neo-Weberian or public value-oriented, do raise the question of whether the traditional conception of public ethos is changing. In some countries, there are strong indications that the public ethos has changed from an absolute to a conditional value, where it does not matter who completes tasks in the public interest as long as some justification is made. This, in turn, raises the question of how these justifications are articulated, and how they are recognized by others (see recently Audenaert et al., 2019). As we discuss below, the variation in such justifications and their recognition by significant others are sources of variation in how different national and international public administrations engage consultancies (e.g., Borda-Rodriguez & Johnson, 2013; Momani, 2013).

3.2 | Expertise

The sociology of professions tells us that what counts as—is recognized as—expertise varies not only historically but also between countries (Fourcade, 2006). It typically depends on specialized and technical knowledge, replicated through disciplines, and institutionalized in professional groups that control “jurisdiction” over specific tasks (Abbott, 1988). The role of academic consultants, including in this symposium (Laage-Thomsen, 2022; Raitasuo & Ylönen, 2022), continues this command over expertise through professionalization tied to occupational training and specialized abstract knowledge (Ban & Patenaude, 2019). However, if we are concerned with recognition as a claim to control a task, we need a broader conception. While it is not, strictly speaking, in the eye of the beholder, claims to expertise can be based on a wide array of more or less specialized knowledge, skills, technology or tools (Sending, 2015). Work in the “sociology of expertise” shows how groups can claim authority on tasks from experience rather than formal professionalization (Eyal, 2013). Both abstract and situated knowledge can be deployed to foster expertise in public administrations, including through international training to match bureaucratic roles to tasks (Broome & Seabrooke, 2015).

Public administrations house experts—technocratic civil servants—who seek to control their tasks by asserting both epistemic and formal claims to authority (Littoz-Monnet, 2020; Thiemann, 2019). In recent decades, the focus has been less on how technocrats are technicians and more on the de-personalized establishment of systems where the governing is linked to “technique” (Ribbagen, 2011, p. 23). This trend is often associated with NPM and, for our purposes, it matters to the degree that it has expanded the demand for generic governance techniques in the form of best practices and performance indicators (see Broome, 2022 in this symposium). An integral part of this trend is that the value of expertise has less to do with knowledge and more to do with providing solutions to on-going problems. For example, the World Bank sought to label itself as a “knowledge bank” from the late 1990s onward—staking its claim to control development issues on its in-house expertise—but has over the last few years sought to shift focus to be a “solutions bank” instead (Bazbauers, 2015; Seabrooke & Sending, 2020).

This broader change in dominant perceptions of how to govern, and what type of expertise is needed, arguably reduces the value of traditional experts or technocrats relative to expertise hailing from experience in working within

public administrations across sectors, and across different countries. Consultants are involved in this shifting of expertise from being based on occupational training toward “organizational professionalism” (Faulconbridge & Muzio, 2008; Maestriper, 2019). They actively create “zones” in which facts are separated from values to support claims of independence and credible expertise (Christensen & Skærbaek, 2010). In short, consultants’ claims to solutions rely on them being recognized by public administrations for both abstraction and cross-organizational experience (Momani, 2017). This trend in how expertise is recognized and valued has important effects. One is the notion that long-term permanent staff in public bureaucracies are less able to respond to contemporary policy problems, allowing consultants to position themselves as closest to best practices (Seabrooke & Nilsson, 2015). This denigration of expertise among those with life-long tenure—a Weberian building-block for bureaucratic impartiality—has obvious feedback effects for both recognition of ethos and status (Meyer & Hammerschmid, 2006).

Another aspect of how expertise is recognized between consultancies and public administrations concerns the “liminal” spaces between consultancy and public administration noted earlier, where consultancies working for public administrations morph into a distinct *modus operandi*. Jones’ (2019) recent study of consultants advising Arab Gulf monarchies—where the Saudi Arabian Ministry of Planning is referred to as the “Ministry of McKinsey”—finds that among consultants “a smart survival strategy is not to lie, but rather to say little,” while another strategy is “omitting or massaging data” (Jones, 2019, p.18). Research also points to public agencies using McKinsey consultants as expert “system thinkers” able to help internal coalitions go to war with other groups within the administration (Carter et al., 2020, p. 84). Again, there is recognition of expertise being abstract and cross-organizational, while also never completely solving the problem at hand. Their position as “vague experts” allows some consultants to strategically use knowledge to operate transnationally with little accountability (Seabrooke, 2014).

Consultancies actively seek to control knowledge flows to bolster their claims to experience (Kitay & Wright, 2004; Sturdy et al., 2006). This is not only in what knowledge they will or will not share with public administrations (Bortz, 2019), but also the concentration of knowledge flows between offices and subsidiaries. Boussebaa’s research has shown that consultants control of knowledge management systems affirms “neo-imperial” networks, with Western offices viewed as carrying expertise while those in the non-West are “depicted as lacking skill and expertise and thus treated more as recipients than sources of knowledge” (Boussebaa et al., 2012, p. 1238). Moreover, consultancies operating as GPSFs often replicate a dominant Anglo-American understanding of what constitutes expertise and appropriate knowledge through the active hiring of expatriates to control non-Western offices (Boussebaa, 2017).

Variation in how expertise is recognized between consultancies and public administrations will center around who is seen as holding both abstract knowledge and/or cross-organizational competencies. In this regard, the trends in both organizational and corporate professionalization bolster consultancies’ claims to access unique knowledge and expertise based on “best practices” that public administrations cannot easily access. The more professional and standardized consultancies appear, and the more their claim to expertise is exclusive—beyond the reach of public administration—the more they are likely to be called upon to analyze and handle a variety of problems. But these trends may not necessarily alter how public administrations regard their own expertise, so this is a matter for empirical investigation.

3.3 | Status

While conceptions of ethos and expertise are central to determining how consultancies and public administration negotiate task-setting, another central factor is the more generic issue of status perceptions. Earlier literature on management consultancy noted how anxieties and insecurities about status were key to relationships between consultants and managers (Sturdy, 1997). Anxieties about how consultants can maintain their elite status when facing clients have also been researched (Gill, 2015). These nerves appear to have settled with greater professionalization and expansion of the market. It is clear that there is now “elite” social status for those employed in prominent

consulting firms (Kipping et al., 2019). The trend for former senior public managers to exit public administration and form or enter consultancies is also well-known. This has led to more “revolving doors” not only among senior public managers but also the restructuring of careers in some sectors, making moves between public administration and consultancies commonplace (Seabrooke & Tsingou, 2021; Vauchez & France, 2020).

How is status recognized between consultancies and public administration in a way that informs task-setting? Momani's (2017) research on how management consultancies engage governments highlights four claims made by consultants to reel in business from public administrations: (i) claims to unique knowledge (such as on “big data”); (ii) a heightened capacity to identify the “big picture” on issues with high uncertainty; (iii) providing “feel good” positive messaging for problem-solving; and (iv) transforming ambiguity into actionable items that can empower clients. Other scholars have noted cases where public servants feel that consultancies provide their proposals and work with gravitas useful for impression management (Clark & Salaman, 1998; Saint-Martin, 2004). In Sweden, for example, chief executives in public organizations are now more likely to rely on consultants than their junior colleagues to push through policies (Pemer et al., 2020). Evidence also suggests that for some national public administrations, the selection of consultancies is strongly informed by personal ties and price markers, with little concern about operational differences among consultancies (Sporrong, 2011).

Recognition of status is especially important in managing uncertainties. Literature in economic sociology suggests that status is the most likely shortcut for dealing with uncertainty (Podolny, 2010), especially when “[f]uture status and pecuniary gain depend on success in convincing others of one's own assessment of quality” (Beckert, 2020, p. 290). Recognition of who can mitigate uncertainties is crucial, including uncertainty about one's own capacities—*egocentric uncertainty*—as well as uncertainty about the capacities of the other party—*altercentric uncertainty* (Podolny, 2001).

This may be a simple matter related more to professional credentials as status rather than one's market dominance or position within a social network. For example, if a public administration is highly uncertain about its own capacity to assess an engineering problem then it makes sense to outsource to an engineering consultant who has the relevant technical expertise. However, we know that many regular functions of public administration are done by consultants, which suggests that status is more than credentials. Uncertainties over who is to be tasked with work also concerns who is recognized as having access to the best solutions. Momani's (2017) work provides important answers in how consultants create uncertainties for public administrations that they can solve, only to then identify future uncertainties.

On repeated interactions between consultancies and public administrations, sociologists point to how status accrues in markets; that status can be viewed as a “form of institutionalization anchored in sedimentation” (Beckert, 2020, p. 289). In other words, previous recognition from public administrations that consultants have status over “thought leadership,” “authentic leadership,” and “best practices” further secures their status (Noordegraaf, 2015). We can see this status relationship in the concept of the “managerial missionary” identity among some consultants working for public administration, who think the public sector is 10 years behind the private sector (Galwa & Vogel, 2021, p. 10). We can also see it in “demand inflation” from public administrations to use consultancies to solve public problems (Sturdy et al., 2022 in this issue), including professional views in some countries on who should lead in public-private partnerships (Warsen et al., 2020).

A central feature of status recognition between consultancies and public administrations is that the former have a capacity to solve any problem because of the scale of their transnational networks (which public administrations generally admire, see Hu et al., 2022). This perception is supported by a great deal of activity for status maintenance. This includes the provision of conferences and events to promote future problems (e.g., “megatrends”) and foster new networks of clientele (Willers, 2022 in this symposium). It also involves targeted recruitment activities at business schools and universities to foster a perception of elite status, high pay, and thought leadership (O'Mahoney & Sturdy, 2016). This includes promoting the idea that employment in an elite consultancy firm provides a status resource that professionals can leverage later in their careers (Kipping et al., 2019).

In general, recognition of status will vary according to the type of consultancy and public administration. We would expect that national and international public administrations most influenced by NPM are likely to recognize

management consultancies as high status and able to complete a range of tasks, even those replicating what is done by the administration. Where this is not the case, consultancies will be constrained to where there is only egocentric uncertainty over technical issues that cannot be handled in-house. Even among intergovernmental organizations with a similar purpose, such as the European Investment Bank and the World Bank, we can see variation in how administrations recognize the status of consultants (Seabrooke & Sending, 2020).

4 | CONTRIBUTIONS TO THIS SYMPOSIUM

The contributions to this symposium explore interactions between consultancies and public administrations in a range of national and international cases. The cases show how variation in relations between consultancies and public administrations matters for who is given control of tasks, and how task-setting is justified. In some cases, consultancies undermine the public ethos, while in others they support it. The forms of expertise vary across cases, from an abstract command of legal and scientific knowledge to expertise based on cross-organizational experience. The status of consultancies also varies, ranging from those known for boutique and specialist work to others who are most known for their global brand. This variation in ethos, expertise, and status is important for policy outcomes and how policies are developed, implemented, and managed in national and international public administrations. We provide brief summaries of the contributions here, linking our thoughts above to the descriptions.

Focusing on Denmark, Laage-Thomsen (2022) traces the emergence of “behavioral insights” as a new form of expertise within public agencies. He compares four agencies where BI has been promoted by academic consultants, who are viewed by some public managers as highly credible on this new science. These consultants claim that BI may establish an empirical platform for the public ethos, with BI as a central government technique. Laage-Thomsen traces how what began as an early “public innovation” model based on social-science insights on nudging and behavioral economics morphed into a “disruption” model based on tech and data-driven innovation. He also shows that it was bureaucratic middle managers who supported behavioral insights via academic consultants rather than executive secretaries or ministers. This has implications for how we think of administrative expertise in contemporary bureaucracies, and the role of consultants in facilitating new ways of thinking that change how public agencies view their citizens.

With a case based in England, Andrew Sturdy and team (2022) provide a primarily quantitative study of the effects of management consultancy in the context of the National Health Service. They note how market dynamics can have effects on the ethos of civil servants in bureaucracies, in that the use of consultants feeds more consultants, and that this process favors greater privatization. The status of consultants as problem solvers reinforces this market. Sturdy and colleagues break down these findings to demonstrate that management consultancy use may lead to changes in work practices that increase organizational inefficiency. On this basis, they argue that explanations drawing on transaction cost theory need to be supplemented by incorporating insights from social embeddedness theory to capture how “over-selling” an “over-buying” external consulting can generate sub-optimal outcomes.

With a Finnish case, Raitasuo and Ylönen (2022) analyze the micro-level dynamics of how tax advisory companies draw on the expertise of legal academic consultants to advance their clients' interests. They show how tax advisory firms utilize their access to expert fora to defend their clients' pecuniary interests, detailing how public-interest concerns are marginalized and the interests of tax advisory companies promoted. Through a detailed empirical analysis, Raitasuo and Ylönen show how the market position of tax advisory firms shapes how academic consultants use status and expertise to engage policies and create precedents for particular advantage.

On international public administration, the symposium offers cases on anti-money laundering, cybersecurity, and benchmarking. On anti-money laundering (AML), Tsingou (2022) shows how standards from the Financial Action Task Force have been widely adopted even when they are not legally binding and their efficacy is seriously questioned. She details how consultants are working with public administrations to improve how countries are assessed in peer-based Mutual Evaluations. Tsingou finds that the selection of consultants follows power

asymmetries in the system. Wealthier countries choose bespoke consultants who operate in a liminal space, never really inside or outside of the policy process, and able to shape the interpretation of what constitutes effectiveness in the AML regime. Their high status and expertise supports policy “horizon management” and the public ethos. By contrast, developing countries rely on consultants from GPSFs, which engage in “box ticking” that has short-term effects and does not build bureaucratic capacity.

Willers (2022) explores the emergence of a market for consultants in mitigating global cyber risks. He shows how GPSFs have developed market strategies, alongside IT consultants, on the back of calls from intergovernmental organizations to integrate cybersecurity strategies within national security regimes in developing countries. While IT consultants hold the expertise, GPSFs use their status to host and promote events that draw attention from public administrations to use their consultancy services. Willers shows how GPSFs are “seeding the cloud” in creating a niche market to deliver Cyber Capacity Building in a context of uncertainty among governments and public agencies.

Finally, on benchmarking, Broome (2022) explores how consultancies have established themselves as authoritative knowledge brokers for national public administrations on how to align their policies with global performance metrics. He shows how consultants feature as mediators and arbiters between prominent benchmarks that intergovernmental organizations use to rank the quality of countries' business regulations. Broome focuses on Chemonics International—active in over 70 countries—and draws on the example of the Ease of Doing Business ranking by the World Bank. Broome demonstrates that Chemonics's status as the “go-to” consultancy has led to the development of status-based expertise on how to game the system to boost a country's ranking. He also shows how benchmarks like the Ease of Doing Business do not necessarily support public administrations in their own public interest.

This symposium explores how consultancies interact with national and international public administrations. Our analytical framework suggests that if we want to understand interactions between consultancies and public administrations, we can examine recognition over task-setting based on concerns with ethos, expertise, and status. As noted above, ethos, expertise, and status are inextricably linked to each other. Change in how one is recognized is likely to have an effect on the other two. This is especially the case when relationships normalize and assumptions are established as to how consultancies and public administrations should engage one another in task-setting. Our aim here is to provide insights into how consultancies engage public administrations and to identify important trends that are redefining how we govern.

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CONFLICT OF INTEREST

The authors declare no conflict of interest.

ENDNOTES

- ¹ We note that the trend in public administrations to employ more consultants can also be reversed. In contemporary Denmark, for example, ideological opposition from a new governing coalition led to sharp declines in consultancy expenditure from the central government as a matter of policy.
- ² Management consulting: Global Market Opportunities & Strategies to 2022—top opportunities will arise in the financial advisory segment, which will gain \$163 billion of global annual sales by 2022. <https://www.businesswire.com/news/home/20190507005765/en/Management-Consulting-Global-Market-Opportunities-Strategies-2022>
- ³ ‘Malcolm Turnbull on the “cult of consultants,” James Riley interview with Malcolm Turnbull for InnovationAUS—Public Policy and Business Innovation, 5 May 2020, <https://www.innovationaus.com/malcolm-turnbull-on-the-cult-of-consultants/>. Emphasis added.

DATA AVAILABILITY STATEMENT

No new data were generated or analyzed in support of this research.

ORCID

Leonard Seabrooke  <https://orcid.org/0000-0001-5581-3293>

Ole Jacob Sending  <https://orcid.org/0000-0003-4456-4708>

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